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## 2018–2019 Budget Justification

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Prepared by the Office of the Chief Financial Officer

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## Budget in Brief

### Proposed 2018 and 2019 Budgets in Brief: Narrative Overview

The NCUA’s strategic goals and objectives set forth in the draft *NCUA Strategic Plan 2018 through 2022* form the basis for agency resource needs and allocations. The annual budget provides the resources to execute the strategic plan, to implement the agency reorganization, and to undertake the NCUA’s major programs: examination and supervision, insurance, credit union development, consumer financial protection, and asset management.

2017 - 2019 NCUA BUDGET RESOURCES											
Fund	2017 Board Approved Budget	2017 Restated Budget	2018 Requested Budget	Change (2017- 18)	Change Percent (2017 -18)	2019 Requested Budget	2019 Change from 2018	%	2018 FTE	2019 FTE	FTE Change 2018 - 2019
Operating Fund	\$ 298,164,000	\$ 292,104,000	\$ 298,097,000	5,993,000	2.1%	\$ 302,688,000	\$ 4,591,000	1.5%	1,183	1,169	(14)
Capital Budget	15,791,000	15,791,000	15,403,000	(388,000)	-2.5%	21,146,000	\$ 5,743,000	37.3%	-	-	
Share Insurance Fund	4,090,000	10,055,000	7,376,000	(2,679,000)	-26.6%	7,454,000	\$ 78,000	1.1%	5	5	
<b>Total</b>	<b>\$ 318,045,000</b>	<b>\$ 317,950,000</b>	<b>\$ 320,876,000</b>	<b>\$2,926,000</b>	<b>0.9%</b>	<b>\$ 331,288,000</b>	<b>\$10,412,000</b>	<b>3.2%</b>	<b>1,188</b>	<b>1,174</b>	<b>(14)</b>

NCUA’s 2018-2019 budget justification consists of three separate budgets: the Operating Fund budget, the Capital Budget, and the Share Insurance Fund budget. Combined, these three budgets total \$320.9 million for 2018, which is less than a one percent increase over the comparable 2017 budget total, and less than the rate of inflation.

**The proposed 2018 Operating Fund Budget is \$298.1 million, and includes a net decrease of 42 full-time equivalents (FTE) from the 2017 Board Approved Budget.** The 2018 Budget represents an increase of **2.1 percent**, or \$6.0 million, from the restated 2017 Board Approved Budget of \$292.1 million adjusted for non-cash items (\$298.2 million original budget).<sup>1</sup>

**The estimate for 2019 is \$302.7 million and reflects a net reduction of 14 positions.** The 1,174 authorized FTE for 2019 is the anticipated level for the next several years under the Agency Reform Plan, and is a cumulative reduction of 95 positions, or seven percent from a peak of 1,269 authorized FTE in 2015. Adjustments to the 2018 Board Approved Budget are summarized below.

**Staffing.** The proposed 2018 FTE level of 1,188 represents a net decrease of 42 FTEs and includes primarily reductions of 57 positions to the regional field offices to support the Examination Flexibility Initiative (EFI) working group recommendations that extend the length of the examination cycle to provide relief to well-managed, low-risk credit unions, and the Agency Reform Plan approved by the Board in July 2017. There are seven new requested positions to support agency priorities. (The 2019 budget requests additional reductions of 15 field positions, while adding one additional legal position to support the Agency Reform Plan.)

<sup>1</sup> A comprehensive explanation of the 2017 Budget restatement is provided on page 12.

**Pay and Benefits.** Pay and benefits increase by \$6.2 million, or three percent, for a budget of \$220.8 million. The increase supports the merit and locality pay adjustments required by the NCUA's current collective bargaining agreement, as well as the seven new positions, promotions, position changes, and other mandatory employer contributions including health insurance and retirement contributions. (The 2019 pay and benefits budget request of \$224.3 million reflects the net reduction of 14 FTEs as outlined in the staffing section.)

**Travel.** The revised travel budget decreases by \$2.0 million, or seven percent, for a budget of \$26.4 million. Overall travel requirements will be lower in line with the Agency Reform Plan and the total reduction of 57 regional positions.

**Rent, Communications, and Utilities.** Rent, communications, and utilities will increase by \$0.4 million, or five percent, for a budget of \$8.5 million to maintain essential telecommunications, data capacity, and network support. The 2019 request of \$8.6 million is consistent with 2018, except for some minor inflationary changes. While we will reduce leased space by 80 percent, our existing leases do not expire until 2020, and contain annual increases. Until those leases expire or we sublet the space we no longer need, our rent expenses will continue to increase until 2020, at which point they will decline.

**Administrative Expenses.** Administrative expenses decreased by \$0.3 million, or four percent, for a total budget of \$7.5 million. The reduction is attributable to lower expenses associated with recruitment and advertising and other administrative cost savings. Major recurring cost items include Federal Financial Institutions Examination Council fees, relocation expenses, and examiner supplies and materials. (The 2019 request is \$7.5 million with minor inflationary increases over the prior year.)

**Contracted Services.** Contracted services expenses increased by \$1.7 million or five percent, for a total budget of \$35.0 million. The budget line items reflect costs incurred when products and services are acquired in the commercial marketplace and include critical mission support services such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. (The 2019 request is expected to increase by \$1.0 million for operations and maintenance costs associated with the NCUA's capital budget investment projects.)

**The 2018 Capital Budget is \$15.4 million, which is a slight decrease from the 2017 budget of \$15.8 million.** The budget reflects a continuation of existing capital investments in technology and infrastructure, as well as new initiatives. Major categories of investment include \$1.9 million in business intelligence tools and \$433,000 in an asset and liability management application that builds on the business intelligence foundation. Primary core infrastructure enhancements including \$2.1 million to replacement AMAC legacy systems; \$350,000 for required change to the human resource management system; and \$600,000 for improved data governance and reporting services. Other investments include a total of \$5.6 million to replace hardware including staff laptops, the phone system, and various IT appliance, all of which are at the end of their useful life. Updating the NCUA website at a cost of \$1.2 million and \$1.3 million to support the agency modernization plan are also a key part of the 2018 funding.

**The 2018 direct charges to the Share Insurance Fund are budgeted at \$7.4 million, which is a material decrease from the 2017 budget level of \$10.1 million.** The decline is primarily due to a reduction in contractor support for credit union stress testing. Direct charges within this budget include administration of the NCUA Guaranteed Note (NGN) program, state examiner training and laptop leases, as well as financial audit support.



**2018 Budget in Brief: Summary Table**

Dollar in millions	Budget	Change from 2017 Restated Budget	% Change	Description
<b>Total 2018 Operating Budget</b>	<b>\$298.1</b>	<b>↑ \$6.0</b>	<b>2.1%</b>	The 2018 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022).
<b>Total Staffing (FTE)</b>	<b>1,188.0</b>	<b>↓ 42</b>	<b>-3.4%</b>	The 2018 FTE level is decreased to a revised authorized level of 1,188. The net decrease of 42 FTEs includes primarily reductions to the regional field offices to support the Examination Flexibility Initiative (EFI) working group recommendations and the Agency Reform Plan approved by the Board in July 2017. There are seven new requested positions to support agency priorities.
<b>Budget Category</b>				
<b>Pay &amp; Benefits</b>	<b>\$220.7</b>	<b>↑ \$ 6.2</b>	<b>2.9%</b>	Pay and benefits adjustment is for merit and locality pay changes as required by the Collective Bargaining Agreement. The increase also funds the new FTEs and other mandatory employer contributions including health insurance and retirement. The budget proposes a net reduction of 42 FTE positions.
<b>Travel</b>	<b>\$26.4</b>	<b>↓ \$2.0</b>	<b>-7.1%</b>	The revised travel budget decreased by \$2.0 million, or seven percent, for a budget of \$26.4 million. Overall travel requirements will be lower in line with the Agency Reform Plan and the total reduction of 57 positions.
<b>Rent, Communications &amp; Utilities</b>	<b>\$8.5</b>	<b>↑ \$0.4</b>	<b>5.3%</b>	Rent, communications, and utilities budget maintains essential telecommunications, data capacity, and network support.
<b>Administration</b>	<b>\$7.5</b>	<b>↓ \$0.3</b>	<b>-4.3%</b>	Expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies.
<b>Contracted Services</b>	<b>\$35.0</b>	<b>↑ \$1.7</b>	<b>5.0%</b>	The budget line items reflect costs incurred when products and services are acquired in the commercial marketplace and include critical mission support services such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise.

**2019 Budget in Brief: Summary Table**

Dollars in millions	Budget	Change from 2018	% Change	Description
<b>Total 2019 Operating Budget</b>	<b>\$302.7</b>	<b>↑ \$4.6</b>	<b>1.5%</b>	The 2019 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022).
<b>Total Staffing (FTE)</b>	<b>1,174.0</b>	<b>↓ 14</b>	<b>- 1.2%</b>	The NCUA's budget reduction of 15 regional staff and the addition of one new legal position are reflected in the FTEs.
<b>Budget Category</b>				
<b>Pay &amp; Benefits</b>	<b>\$224.3</b>	<b>↑ \$3.6</b>	<b>1.6%</b>	The pay and benefits adjustment is for merit and locality pay changes as required by the Collective Bargaining Agreement. Also factors in personnel turnover estimates that will constrain future payroll costs as more senior personnel retire and are replaced by entry and mid-level staff. The increase also accounts for mandatory employer contributions including health insurance and retirement. The 2019 budget requests additional reductions of 15 positions, and one new position.
<b>Travel</b>	<b>\$26.3</b>	<b>↓ \$0.1</b>	<b>-0.5%</b>	Travel reductions due to the additional regional staff position reductions.
<b>Rent Communications &amp; Utilities</b>	<b>\$8.6</b>	<b>↑ \$0.09</b>	<b>1.0%</b>	The 2019 request includes inflationary adjustments for utilities, space rental, and other recurring costs.
<b>Administration</b>	<b>\$7.5</b>	<b>↑ \$0.07</b>	<b>0.9%</b>	Expenses include primarily operational requirements, FFIEC fees, relocation expenses, and employee supplies.
<b>Contracted Services</b>	<b>\$36.0</b>	<b>↑ \$1.0</b>	<b>2.9%</b>	The contracted services line items reflect costs incurred when products and services are acquired in the commercial marketplace. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. This line item reflects an increase because of operations and maintenance costs associated with capital investments in information technology systems.

## Overview of the National Credit Union Administration

### Introduction

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, the NCUA operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of the account holders in all federal credit unions and the majority of state-chartered credit unions.

The NCUA, through its predecessors, was created in 1934 with the passage of the Federal Credit Union Act. As the products and services provided to members changed over the years, the NCUA's supervision and regulation evolved as well. In 1970, this evolution included the addition of the NCUSIF providing the backing of the full faith and credit of the U.S. Government to credit union accounts. No credit union member has ever lost a penny of deposits insured by the NCUSIF.

The NCUA is responsible for the regulation and supervision of 5,696 federally insured credit unions with approximately 109 million members and more than \$1 trillion in assets across all states and U.S. territories.

The NCUA's 2018–2019 Budget Submission supports the *Draft NCUA 2018 through 2022 Strategic Plan*<sup>2</sup> to achieve agency priorities and improve agency performance.

The budget supports the NCUA's three strategic goals: (Draft subject to final Board Approval)

- *Ensure a safe and sound credit union system;*
- *Provide a regulatory framework that is transparent, efficient, and improves consumer access;*  
*and*
- *Maximize organizational performance to enable mission success*

Throughout 2018 and 2019, the NCUA will provide resources and implement initiatives to continue meeting its mission to “*provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,*” and its vision to ensure that “*NCUA protects credit unions and consumers who own them through effective supervision.*” This budget enables the NCUA's plans to address key challenges and leverage agency strengths.

The agency will continue to supervise federally insured credit unions effectively and insure a growing and evolving credit union system. Credit union system key risks addressed in the strategic plan include credit union responses to a changing environment, evolving financial landscape and technological advances, competition and consolidation, aging credit union membership, population diversity and trends in financial access, as well as generational shift in consumer preferences. Each

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<sup>2</sup> The draft NCUA Strategic Plan (2018 – 2022) was approved for a 60-day public comment period by the NCUA Board on September 28, 2017. Please see [www.ncua.gov](http://www.ncua.gov) for more details concerning how comments on the Draft Strategic Plan may be submitted.

risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures. The NCUA staff are the agency's most important assets, and must have the skills, training, and tools necessary to do their jobs in this complex and dynamic financial environment.

In 2018, the NCUA employees will perform all the tasks in the NCUA's major program areas and support functions. The budget provides the resources to execute the strategic plan and undertake tasks in the NCUA's major programs: supervision, insurance, credit union development, consumer financial protection, asset management, stakeholder outreach, and cross-agency collaboration. The NCUA operates a central office, an Asset Management and Assistance Center to liquidate credit unions and recover assets, and five regional offices that will consolidate into three regions starting in 2019. Reporting to these regional offices, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Credit unions are member owned, cooperative associations organized for the purpose of promoting thrift among their members and creating a source of credit for provident and productive purposes. Credit unions provide a valuable service to the public as accessible financial institutions that are not-for-profit. The NCUA Board and staff will continue to promote the success of the credit union system by funding and providing the framework for a safe, sound system that is responsibly managed and capable of providing desired financial services to current and future members.

The NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund, funded by both federal credit unions and federally insured state-chartered credit unions. The annual overhead transfer rate determines the amount of the Share Insurance Fund to reimburse the Operating Fund.

### Agency Reform Plan

On July 20, 2017, the Board approved a series of operational actions to improve the NCUA's efficiency, effectiveness and focus on core mission responsibilities. The NCUA's reform plan will position the agency to meet the ongoing changes in the industry it regulates and insures. The U.S. financial sector is subject to continuing advancements and emerging risks, which necessitate changes in the way we conduct our business. Advancements in the type and quantity of data available also demand a fresh way of thinking about our business model. At the same time, the continuing reality of smaller credit unions merging while remaining credit unions grow in size and complexity requires even more strategic, nimble and innovative ways to carry out our responsibilities as established in the Federal Credit Union Act. The primary actions approved by the Board include those that:

- Eliminate, consolidate and streamline offices with similar or overlapping functions;
- Restructure offices to improve the efficiency within the existing responsibilities;
- Enhance certain key functions necessary to ensure the NCUA's compliance with governing laws; and
- Position the NCUA to meet the future needs of the evolving U.S. financial sector.

The actions approved by the Board in July, coupled with the Examination Flexibility Initiative begun in 2017, will:

- Lower the agency’s authorized staffing level from 1,247 FTE in the 2016 approved budget, down to 1,174 in the 2019 budget, a reduction of 73 FTEs, or nearly 6 percent.
- Reduce agency leased office space by 80 percent.
- Improve examination reports through implementing enhanced quality measures.
- Eliminate two regional offices.
- Reduces the size of AMAC and realigns supporting functions to their central office counterparts.
- Enhance ONES’ staffing and technology capabilities to support the transition to credit union driven stress testing.
- Create an office focused on charting and credit union expansion.
- Eliminates Economic Development Specialist consulting.
- Fund virtual exam exploration and studies improvements to data management and governance.
- In total, over 10 years these changes are projected to lower NCUA’s baseline operating costs by approximately \$110 million after implementation.

The agency is already on-track to meet these staffing reduction targets. EFI is well into implementation, and 2017 staffing reduction targets have been exceeded. The agency has firm plans to meet the FY 2018 and 2019 staffing reduction targets. Since the Board’s announcement in July, the agency has negotiated a memorandum of understanding with the National Treasury Employees Union concerning implementation of the plan, and has obtained Voluntary Early Retirement Authority approval from the Office of Personnel Management.

Also reflective of the agency’s overall approach to examining how to best meet its mission in an efficient and effective manner, the NCUA is reviewing its regulatory framework. The NCUA has undertaken an exhaustive review of its regulations and issued its initial report to the NCUA Board in June 2017. The Agency Reform Plan makes numerous recommendations for the amendment or repeal of regulatory requirements that the NCUA believes are outdated, ineffective, or excessively burdensome. The substance of this report was published in the Federal Register on August 22, 2017, seeking the public’s comment on the report and any other regulatory changes that should be made.

### **Actions to Improve Efficiency, Effectiveness and Focus on Core Mission**

The reform plan positions the NCUA to meet the changes ongoing in the industry we regulate and insure. The U.S. financial sector is subject to continuing advancements and emerging risks, which necessitate changes in the way we conduct our business. Advancements in the type and quantity of data available also demands a fresh way of thinking about our business model. At the same time, the continuing reality of smaller credit unions merging while remaining credit unions grow significantly in size and complexity requires an even more strategic, nimble and innovative way to carry out our responsibilities as established in the Federal Credit Union Act.

Even as complexity continues to increase along with the number of credit union account holders and insured shares, the NCUA’s Reform Plan will realize important savings and efficiencies through:

- Consolidating regional offices from five to three by eliminating our Albany, New York and Atlanta, Georgia locations. The remaining three regions in Alexandria, Virginia; Austin, Texas; and Tempe, Arizona will absorb the staff from the closing locations. The specific impacts are still being evaluated.
- Continuing the field staffing reductions initiated in 2017 with the Examinations Flexibility Initiative (a reduction of 47 staff between 2017 and 2018), and eliminating through attrition an additional 20 field staff FTE beyond what was approved by the Board in November 2016 in the EFI report. Additionally, the NCUA will return the targeted ratio of supervisory examiners to examiners from the current 8 to 1 ratio to 10 to 1. Through attrition, the number of supervisory examiners will be reduced by 15, from 65 to 50.
- Eliminating 80 percent of our leased space and maximizing the usage of our two owned facilities to their greatest potential. The regional office closures along with significantly reducing the size of our liquidation and asset management facility in Austin, Texas and merging the office space of our two Alexandria, Virginia locations allows us to reduce from five leased facilities to one.
- Reducing the authorized workforce by about six percent net, between the workforce level approved by the Board for 2016 and the level proposed in the 2019 budget. This includes actions being taken as part of EFI and the agency's reform plan. In total, 115 positions will be eliminated through these actions, while 40 are created.
- Restructuring offices to reduce overlap between offices, improve coordination, and eliminate activities that are not inherently governmental. These actions include:
  - Creating the Office of Credit Union Resources and Expansion (CURE) by redefining and realigning chartering, field of membership, credit union development, grants and loans, and minority depository institution preservation into a new office that will serve as the focal point for all credit union development interactions with the NCUA. Staff for this new office are mostly drawn from the Office of Small Credit Union Initiatives (which is eliminated by the end of 2017).
  - The NCUA agency reform plan reprioritized resources to be more efficient and effective. The new CURE office will develop an online training system curriculum that will address support services routinely requested for assistance by an economic development specialist. The building of this curriculum will occur over the next two years. It is important to note that credit union examiners continue to provide routine assistance to small credit unions.
  - Transferring consumer access (chartering and FOM) functions from the Office of Consumer Financial Protection and Access to the new CURE office so that the Office of Consumer Financial Protection will be focused exclusively on activities that support and protect credit union members, like consumer compliance and the consumer call center.

- Reforming and realigning the Asset Management and Assistance Center (AMAC), to include changes to the servicing business model and moving to a functional supervisory structure. AMAC's accounting, information technology, legal functions and related staff will be realigned to their central office counterparts.

The reform plan positions the NCUA to meet ongoing and emerging challenges by reprioritizing resources to more impactful, mission-oriented initiatives. This includes being more data-driven, conducting continuous supervision and increasing staff technical expertise. Improved operational efficiencies and refocusing on core mission responsibilities enables the NCUA to invest in critical skill areas to address changes in the industry and meet compliance requirements. Key investments include:

- Securing the human resources and technological infrastructure to build the Office of National Examinations and Supervision's (ONES) internal data driven supervision activities that will also support the transition to credit union driven stress testing.
- Enhancing the NCUA's procurement and records management functions to meet government-wide standards.
- Restructuring the Office of Examinations and Insurance into smaller, specialized working groups. The new model will have smaller working units with a narrower scope of required technical expertise.
- Researching an enhanced virtual examination review program. The Agency Reform Plan included two new positions and contract support dedicated to research offsite analysis to reduce the on-site time conducting credit union examinations. This research effort will culminate in a report discussing the options and feasibility for implementing an enhanced virtual examination review program to the NCUA Board. The potential benefits of utilizing increased electronic documentation will enable more offsite analytical work, allowing more focused discussions and limited on-site reviews with credit unions. The NCUA technology investments will address necessary modernization of key systems and processes along with additional tools providing enhanced analytical and supervisory capabilities that support the enhanced virtual examination review program. For example, the Enterprise Solutions Management (ESM) program results will support the agency requirements for the next several years. There are five capital investment projects that support these efforts to improve the analytics and support these modernization efforts to improve the new enhanced offsite analysis. These include the Examination and Supervision Solution, Data collection Solution, Business Intelligence Tools and Capability Enhancement, Enterprise Data Analytics, Governance and Reporting Services, and Asset and Liabilities Management Application.
- Modernizing the NCUA's information technology systems to leverage advancements to the maximum extent practical to improve efficiency and effectiveness of the agency in completing our core mission, and to improve the data governance and infrastructure across the agency.
- Enhancing the IT security posture of the agency.

Most of the central office changes will be formally effective in January 2018, while the regional offices will be transitioning to implement the new structure effective 2019.

The following tables summarize the staffing changes for the central offices and the regional offices.

**Summary of Central Office Changes**

NCUA Central Offices	Summary of Actions
Board Offices	No change in staffing
Executive Director	Expansion of Business Innovation Division to support the ongoing implementation of the Enterprise Solution Modernization program and to execute the virtual vision enhanced data analytics initiative. Three staff positions converted from temporary to permanent staff (which were already part of agency staffing authorization), and two additional temporary staff added.
Office of the Chief Economist	No change in staffing.
Office of Continuity and Security Management	No change in staffing.
Office of Chief Financial Officer (OCFO)	Consolidate financial reporting and accounting functions for the Community Development Revolving Loan Fund and the AMAC; and increase staff to meet compliance requirements particularly in the procurement function. Ten staff transferred into OCFO from other NCUA offices and four new positions added.
Office of Chief Information Officer (OCIO)	Consolidate information technology functions from AMAC into the OCIO, and transfer Records Management functions from OCIO into the Office of General Counsel; expand staff to support building infrastructure for data-driven supervision; upgrade position for systems security. Two staff transferred out of OCIO to OGC; Two staff transferred into OCIO from AMAC; and three new positions created for a net increase of three positions.
Office of Human Resources	No change in staffing levels.
Office of General Counsel (OGC)	Creates new Records Management and Privacy Division responsible to centralize records management responsibilities, Freedom of Information Act, and Paper Work Reduction Act compliance; consolidates Records Management staff from OCIO; and transfers legal staff from AMAC. Three staff transferred in; eight new positions added.
Office of Minority and Women Inclusion	Transfer responsibilities of minority depository institutions preservation program to new CURE office; no change in staffing.
Office of National Examination and Supervision	Augment existing staff dedicated to the development of the continuous supervision model that used data-driven analytics

	to monitor and identify credit union risk. Full implementation expected in 2019. Seven staff added.
Office of Consumer Financial Protection and Access	Streamlines with a narrower mission focus dedicated exclusively to activities that support and protect credit union members, like the call center and consumer compliance through fair lending examinations. 22 staff are transferred to the new CURE office. Renamed Office of Consumer Financial Protection.
Office of Small Credit Union Initiatives/Office of Credit Union Resources and Expansion (CURE)	Create new Office of Credit Union Resources and Expansion by consolidating chartering, field of membership, credit union development, grants and loans, and minority depository institution preservation. (Eliminate OSCUI office). The new office will serve as the focal point for all credit union development interactions with the NCUA. Staff for this new office are mostly drawn from the Office of Small Credit Union Initiatives (which is eliminated by the end of 2017). The new office will include some personnel from the Office of Consumer Financial Protection to cover the new mission. The small credit union consulting program will be redefined with an online focus, eliminating 13 economic development specialist positions. 22 staff are transferred into the new CURE office from OCFPA, and one staff is transferred out to OCFO related to financial management.
Office of Examination and Insurance	Restructure office into specialized working groups to align with agency and workload priorities. Add two term employees (not to exceed five years) to enhance offsite virtual exam options.
Office of Public and Congressional Affairs	No change in staffing.
Office of the Inspector General	No change in staffing.

### Summary of Regional Realignment

NCUA Regional Offices	Summary of Actions <sup>3</sup>
Albany, NY	Closing December 31, 2018
Alexandria, VA	Alexandria absorbs most former Albany states and relocates from the leased building into the NCUA-owned Central Office building.
Atlanta, GA	Closing December 31, 2018
Austin, TX	Austin absorbs former Atlanta states, while giving up its western states to the Tempe office. The Austin director also assumes responsibility for many of the AMAC functions.

<sup>3</sup> Realignment of the states to the new regional structure still under development.

Tempe, AZ	Takes over states previously in the western part of Austin.
Asset Management and Assistance Center (AMAC) – Austin, TX	AMAC operations and structure realigned with Austin will begin in 2017 since the restructure of this office began in late 2016. The AMAC accounting functions transfer to the Chief Financial Officer; information technology functions transfer to the Chief Information Officer, and legal functions move to the Office of General Counsel. In June 2017, AMAC relocated from a leased building in Austin to the NCUA-owned space they will share with the Austin, Texas regional office.

The implementation of these agency realignments will be a continuous work in progress over the next few years and require ongoing adjustments and refinements. The budget impact of these changes are incorporated into the 2018 and 2019 budgets, and represent the best cost estimates available at this time, and are expected to undergo future updates.

*The 2017 – 2019 NCUA position summary chart* on the following page outlines the changes made to the 2017 authorized positions by office as approved by the Board to support the Agency Reform Plan. The regional adjustments will continue refinement as the future state composition of the three regions are still under development and will impact the exact size of the final attributions for the merged field offices.

The changes approved by the Board are estimated to cost the NCUA one-time restructuring costs of approximately \$9.5 million. The one-time costs will be funded through staffing/payroll savings and related costs in 2017 and 2018, and are not presented in this budget. The estimated costs cover one-time charges associated with realigning and reducing staff, such as employee relocation costs and employee separation costs. Also included in the restructuring costs are expenses for making necessary facilities changes to enable the reduction in lease space, and contractual support costs to assist with efforts such as enhance data analytics.

In keeping with its agency values, the NCUA will achieve its workforce reductions by offering all impacted employees options to remain with the agency. Impacted employees who remain with the agency will be placed into new positions. The NCUA will carry temporary staffing costs while this conversion takes place.



2017 - 2019 NCUA POSITION SUMMARY

NCUA Offices	2017 Board Approved	2017/2018 Agency Reform Plan Reductions	2017/2018 Agency Reform Plan Increases	2017/2018 Agency Reform Plan Transfers	2018 Board Approved EFI Reductions	2018 Board Approved Baseline Positions	2018 New Positions Request	2018 Request Positions Total	FY 2019 Agency Reform Plan Reductions	2019 New Positions Request	2019 Request Positions Total
BOARD	11.0				-	11.0	-	11.0	-	-	11.0
OED	10.0	-	2.0		-	12.0	4.0	16.0	-	-	16.0
OCSM	12.0				-	12.0	-	12.0	-	-	12.0
OMWI	10.0				-	10.0	-	10.0	-	-	10.0
OCE	7.0				-	7.0	-	7.0	-	-	7.0
OCPFPA/OCFP	46.0			(22.0)	-	24.0	-	24.0	-	-	24.0
OCFO	39.0	-	4.0	10.0	-	53.0	-	53.0	-	-	53.0
OCIO	40.0		3.0	-	-	43.0	1.0	44.0	-	-	44.0
ONES	38.0	-	7.0		-	45.0	-	45.0	-	-	45.0
OSCUI/CURE	28.0	(13.0)		21.0	-	36.0	-	36.0	-	-	36.0
E&I	51.0	-	2.0		-	53.0	-	53.0	-	-	53.0
OGC	30.8	-	8.0	3.0	-	41.8	2.0	43.8	-	1.0	44.8
OIG	10.0	-			-	10.0	-	10.0	-	-	10.0
OHR	42.0	-			-	42.0	-	42.0	-	-	42.0
PACA	7.0	-			-	7.0	-	7.0	-	-	7.0
						-					-
REG I	161.0	(7.0)	-		(5.0)	149.0		149.0	(22.0)	-	127.0
REG II	165.0	(7.0)	-		(4.0)	154.0		154.0	14.0	-	168.0
REG III	160.0	(7.0)	-		(5.0)	148.0		148.0	(24.0)	-	124.0
REG IV	162.2	(7.0)	-		(4.0)	151.2		151.2	7.0	-	158.2
REG V	162.0	(7.0)	-		(4.0)	151.0		151.0	10.0	-	161.0
						-					-
AMAC	38.0	(5.0)	-	(12.0)	-	21.0		21.0	-		21.0
<b>Total</b>	<b>1,230.0</b>	<b>(53.0)</b>	<b>26.0</b>	<b>-</b>	<b>(22.0)</b>	<b>1,181.0</b>	<b>7.0</b>	<b>1,188.0</b>	<b>(15.0)</b>	<b>1.0</b>	<b>1,174.0</b>

\* E&I includes 7 FTE related to other NCUA funds; 3 FTE are paid for by the Central Liquidity Fund and 4 FTE are paid for by the Share Insurance Fund. OCFO also includes 1 FTE paid for buy the Share Insurance Fund.

## Modification in the Presentation of Budgetary Information

The NCUA is modifying its presentation of budgetary estimates in the FY 2018 budget. The reason for this change is to more clearly focus the budgetary presentation on all planned NCUA spending, to better align the budget presentation to financing requirements, to clarify and strengthen the agency's internal funds control, and to align better with Federal budget guidance and principles contained in the Office of Management and Budget Circular **A-11**. This change has **no** impact on basis of accounting for the NCUA's financial statements.

The NCUA has historically presented budgetary estimates using accounting concepts that conform to generally accepted accounting principles (GAAP) in the preparation of financial statements. However, the Federal budget process makes distinctions in methods for tracking funds in the context of the budget (a spending plan) as opposed to financial statements that present the results of economic activity. In addition, the Federal government makes distinctions between budgetary accounting (also referred to as obligational accounting) and proprietary accounting. Financial information serves a variety of purposes, and thus the Federal government uses different approaches for presenting financial information.

In modifying the budget presentation to conform to Federal budget concepts, the NCUA is strengthening its funds control and financial accountability by tying the budget estimates to new budgetary authority available for the fiscal year. Consistent with OMB Circular A-11, budgetary authority as applied to the NCUA means the authority provided by the Board for the agency to incur financial obligations that will result in future financial outlays, whether in the current or succeeding years. This controls the level of financial obligations the NCUA is authorized to make during the fiscal year, and requires the NCUA to recognize future financial outlays in the current budget year, even if they will occur in a future year. Again, this has no bearing on the NCUA's audited financial statements. Staff will continue to prepare the NCUA's annual financial statements in accordance with the relevant standards under GAAP.

The revised budget presentation change increases the NCUA's transparency and disclosure of planned financial activity. In prior years, not all financial activity was presented in the budget. For 2018, the NCUA is including in the budget its annual note payment for its central office building in Alexandria, Virginia. In 1993, funds were borrowed from the Share Insurance Fund to cover the initial building purchase. This annual expenditure of \$1.34 million dollars will continue until 2023 when the loan note is fully paid. While not presented in prior budgets, the cost has been included in the Operating Fee schedule to accurately reflect cash collections from federal credit unions, so this change will not impact the credit union operating fees. Similarly, direct charges were made from the Share Insurance Fund through a delegation of the Board to the Executive Director, although these charges were not presented in budgetary documents<sup>4</sup>. Beginning with FY 2018, the NCUA is presenting a Share Insurance Fund budget for anticipated direct expenditures approved by the Board, excluding expenditures associated with the OTR and those for insurance and liquidation

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<sup>4</sup> NCUA disclosed these direct charges in the NCUA Operating Budget Briefing in October 2016.

The modified budget presentation more closely aligns to the NCUA's annual financing requirement. Already noted above, not all spending was presented in the budget. Prior budget presentations included non-cash expenses for depreciation and accrued employee annual leave.

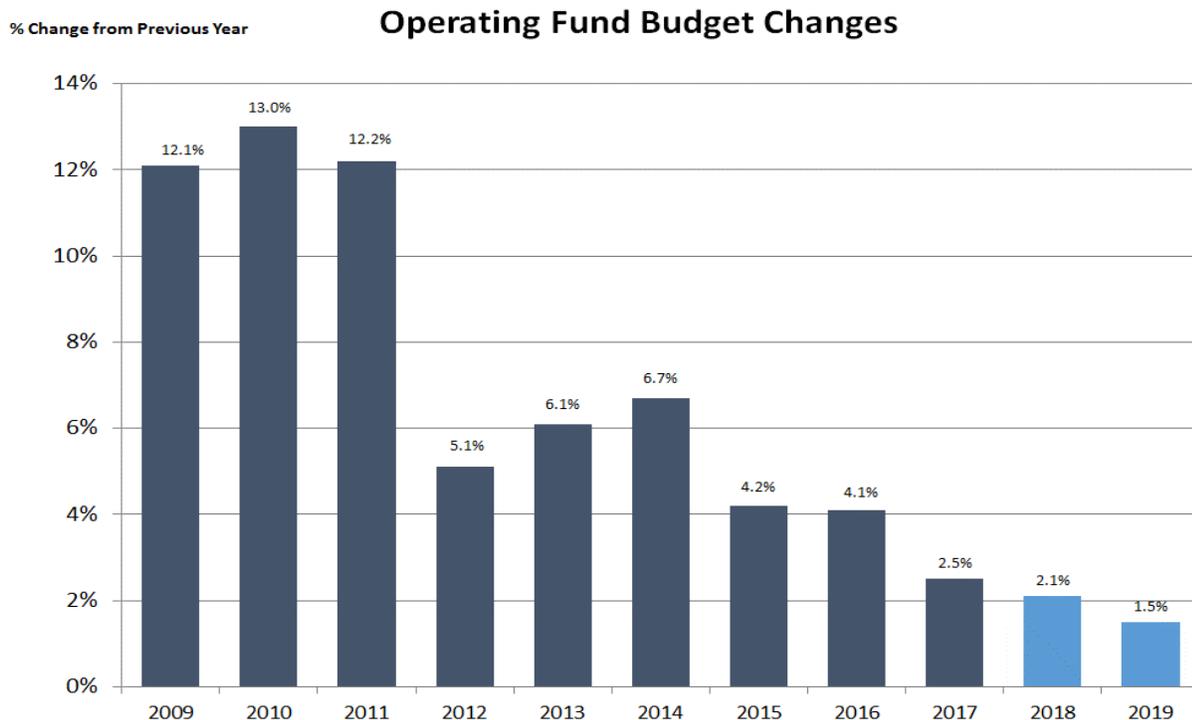
From a budget presentation perspective, these line items overstated the 2017 financing requirement by \$7.4 million (\$5.6 million depreciation expense and \$1.8 million accrued annual), and did not represent actual expenditures (these items were excluded from the Operating Fee schedule, so federal credit unions were not actually charged for these non-cash expenses).

Modification of the budgetary presentation does not impact the actual overall size of the NCUA budget, or the amounts charged in the Operating Fee or to the Share Insurance Fund. Also, this change does not alter the NCUA's basis of accounting for financial statements. The change promotes greater transparency into planned NCUA spending, and clarifies and strengthens internal controls and accountability. Because of the modification to the budget presentation, the 2017 Board approved budget of \$298.1 million is presented as adjusted to \$292.1 million. The adjusted budget of \$292.1 million is calculated by reducing \$1.8 million accrued annual leave and \$5.6 million depreciation expense, and adding \$1.3 million of the King Street Station note to the original budget of \$298.1 million. This adjustment facilitates an accurate comparison between the 2017 budget and 2018 proposed budget.

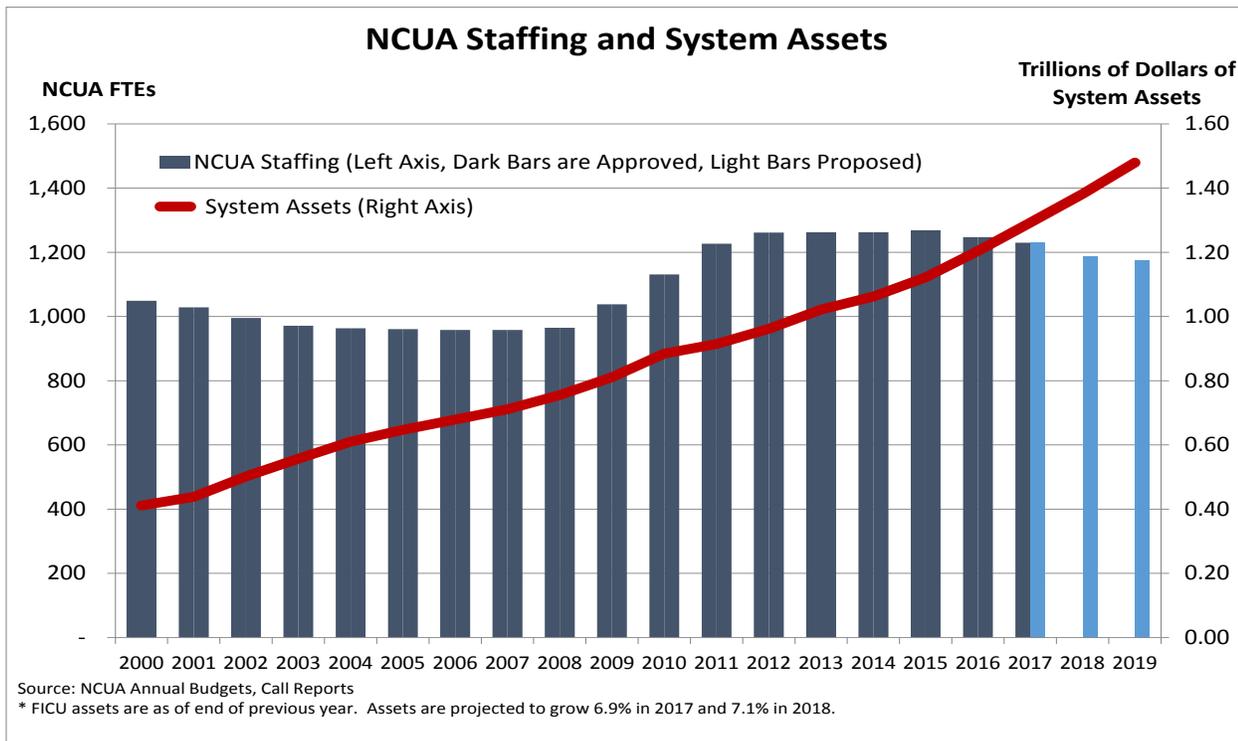
## Budget Trends

The 2018 Budget of **\$298.1 million** represents an increase of **2.1 percent**, or **\$6.0 million**, from the 2017 restated Board Approved Budget of \$292.1 million. The 2018 Budget reflects necessary expenditures to ensure successful execution of the agency’s mission and strategic plan under the Board approved Agency Reform Plan. The budget request continues five straight years of reduced growth in the NCUA operating budget.

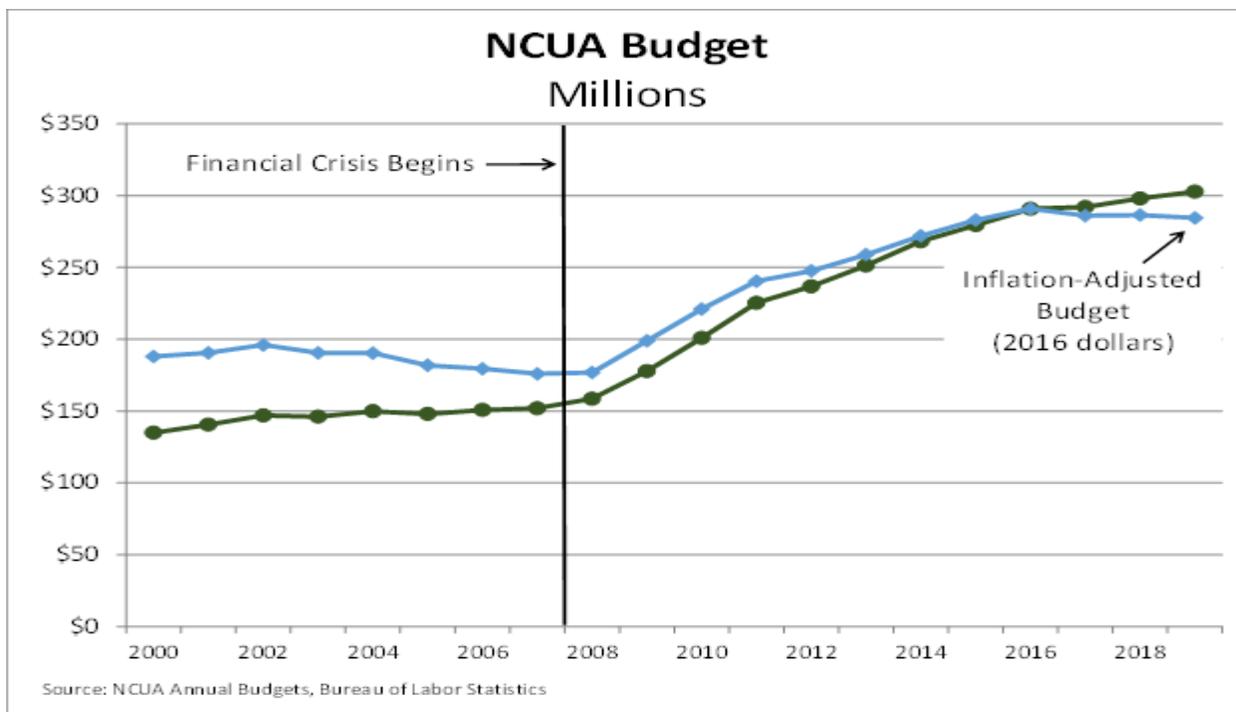
The 2017 Budget authorized 1,230 FTE as approved by the Board at the November 2016 Board meeting. This level was further adjusted and a net reduction of 42 positions were eliminated to approve actions in 2017 that support the Agency Reform Plan as outlined on page 12. This includes the planned regional reduction of 22 credit union examiners as recommended by the Exam Flexibility Initiative. The 2018 budget requests seven new positions to support administrative and systems security requirements. The 2018 budget full-time equivalent (FTE) authorized level is **1,188** and accounts for the newly requested positions and the changes approved in the Agency Reform Plan. Implementation of the plan will require some position realignments between the regional offices and central offices during 2018 and 2019 before the new steady state is achieved at 1,174 authorized FTE. The new position authorization is a cumulative reduction of 95 positions, or seven percent from a peak of 1,269 authorized FTE in 2015.



The NCUA staffing growth continues to remain well below credit union asset growth.



The NCUA’s annual budget is projected to increase 2.1 percent in 2018, however inflation is forecast to be 1.9 percent. After adjusting for inflation, the increase of the NCUA budget projects to be 0.2 percent in 2018 (nominal budget growth of 2.1 percent less inflation of 1.9 percent = inflation-adjusted growth of 0.2 percent). The 2019 budget is essentially flat in nominal terms, with inflation projected to be 2.3 percent, in real terms, a decrease of 2.2 percent.



## Authority

Pursuant to the Federal Credit Union Act, the management of the NCUA is vested in the NCUA Board. It is the Board's responsibility to determine the expenses necessary to carry out its responsibilities under the Act.<sup>5</sup> The Board is authorized to expend such funds and perform such other functions or acts as it may deem necessary or appropriate in accordance with the rules and regulations or policies established by the Board.<sup>6</sup>

Upon determination of the budgeted expenses, the Board determines a fee schedule with respect to federal credit unions, giving consideration to the expenses of the NCUA in carrying out its responsibilities in connection with federal credit unions and the ability of federal credit unions to pay a fee.<sup>7</sup> Fees collected are required to be deposited with the Treasury of the United States for the account of the Administration, and these fees are expended by the Board to defray the expenses incurred in carrying out the agency's operations, including the examination and supervision of federal credit unions.<sup>8</sup> In accordance with its authority to use the Share Insurance Fund to carry out its responsibilities, pursuant to the Overhead Transfer Rate, the Board transfers resources from the Share Insurance Fund to its Operating Fund on a monthly basis to account for insurance-related budgeted expenses.<sup>9</sup> At the end of the calendar year, the NCUA's financial transactions are subject to audit in accordance with Generally Accepted Accounting Principles.<sup>10</sup>

## Budget Process

The NCUA's budget process starts with the agency's strategic goals and objectives set forth in the draft *NCUA Strategic Plan 2018 through 2022* as a framework to ensure agency priorities and initiatives drive resulting resources needs and allocations.

Each regional and central office director developed a budget request identifying resources required to support the NCUA's mission and strategic goals and objectives. These budgets were developed using zero-based budgeting techniques (described below) to ensure each office's requirements were individually justified and consistent with the agency's overall strategic plan. One of the primary inputs in the development process is a comprehensive workload analysis that captures the amount of time necessary to conduct examinations and supervise federally insured credit unions in order to carry out the NCUA's dual mission as insurer and regulator.

This process starts with a field-level review of every federally insured credit union to determine the number of workload hours needed for the current year. The workload estimates are refined by management in the field program until the final budget proposal is completed and forwarded to the central office for review and analysis. The final workload analysis establishes the foundation for the NCUA's regional office budget requests and for the Office of National Examinations and Supervision, representing nearly seventy percent of NCUA personnel. In addition to the workload analysis, which

<sup>5</sup> See 12 U.S.C. 1752a(a).

<sup>6</sup> See 12 U.S.C. 1766(i)(2).

<sup>7</sup> See 12 U.S.C. 1755(a)-(b).

<sup>8</sup> See 12 U.S.C. 1755(d).

<sup>9</sup> See 12 U.S.C. 1783(a).

<sup>10</sup> See 12 U.S.C. 1783(b) and 1789(b).

is used to develop personnel and travel costs, all offices developed cost estimates for fixed and recurring items such as rent or leased property, operations and maintenance, repair on owned facilities, supplies, telecommunications, and other administrative and contracted services costs.

All office budget submissions within the NCUA underwent thorough reviews by the responsible regional and central office directors, the Chief Financial Officer, and executive leadership. The NCUA's Information Technology Prioritization Council meets several times during the year to consider, analyze and prioritize software initiatives and align those IT investments with the NCUA's mission. These focused reviews result in a mutually agreed-upon budget recommendation to support the NCUA's top investment priorities. The Board approval of the Agency Reform Plan impacted the budget development and required adjustments to the 2017 position authorization to realign offices to support the new structure. The final allocations to the regional offices will be updated in 2018 as the state boundaries are redefined.

This budget justification document includes comparisons to last year's 2017 Board Approved Budget adjusted for the structural changes to measure comparable growth. A summary description of the major spending items in each budget category is included to provide improved transparency and understanding of how the budget resources will be used. The 2018 Budget and the 2019 Budget are provided by major budget category, office, and detail by cost element. The NCUA also posts supporting documentation for its budget request on the [NCUA website](#) to assist the public in understanding its budget development process. The budget request for 2018 represents the NCUA's current projections of operating costs for 2018.

## **Budget Priorities and Initiatives**

The 2018 Budget supports the agency priorities and goals outlined in the annual performance plan and the draft *NCUA Strategic Plan 2018 through 2022*. The requested resources and new initiatives support the NCUA's mission to maintain a safe and sound credit union system.

As described earlier in this document under "Agency Reform Plan," NCUA is undertaking a series of actions to position itself to meet the needs of the industry it regulates both now and in the future in the best manner possible. The Exam Flexibility Initiative, which was presented as part of the 2017 budget, a step in this direction, and it will be continued with a series of additional actions in 2018 and 2019.

The key priorities presented in this budget are: efficiency, improving operations, focusing on core mission, and improving the agency's compliance with laws and regulations.

### **Efficiency**

The NCUA is undertaking actions that will improve its operating efficiency, while ever-mindful of its mission and statutory responsibilities. The NCUA remains committed to ensuring the safety and soundness of the credit union system, but realizes that the dynamics of the system are changing to relatively fewer and larger credit unions. The NCUA is taking specific actions to increase operating efficiency, which include the following:

- Consolidating five regional offices into three and eliminating regional office staff;
- Increasing the ratio of supervisory examiners to staff from 1:8 to 1:10 ratio;
- Reducing the amount of leased office space by 80 percent; and,
- Continuing to reduce agency travel and training expenses.

### **Improving Operations**

The NCUA must continue to develop the ability to work smarter with fewer resources. The NCUA committed to a major step in this direction with the Exam Flexibility Initiative in 2017, which continues into 2018. Beyond the EFI effort, ongoing modernization efforts include:

- Implementing the Enterprise Solutions Modernization (ESM) initiative, a series of information technology systems upgrades that will replace outdated systems and streamline many processes for credit unions. ESM will deliver secure, reliable, and innovative technology solutions to support the NCUA business imperatives with a focus on replacing end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities. Additional objectives for the information and data improvement efforts include raising the minimum standards for our data to increase the completeness and accuracy of our information as well as increasing virtual, remote, and telework employee efficiency through the use of technology.
- Implementing market leading analytic tools allows the NCUA to further risk analysis, identify key trends, and target examinations where most needed. The new technology applications

include replacement of Automated Integrated Regulatory Examination System and Credit Union Online, as well as development of a new field-of-membership system. These investments will provide enhancements to carry the NCUA forward.

- Restructuring the Office of Examinations and Insurance into smaller, specialized working groups. The new model will have smaller working units with a narrower scope of required technical expertise.
- Securing the human resources and technological infrastructure to build the Office of National Examinations and Supervision's (ONES) internal data driven supervision activities that will also support the transition to credit union driven stress testing.
- Creating the Office of Credit Union Resources and Expansion (CURE) by consolidating chartering, field of membership, credit union development, grants and loans, and minority depository institution preservation into a new office that will serve as the focal point for all credit union development interactions with the NCUA. Staff for this new office are mostly drawn from the Office of Small Credit Union Initiatives (which is eliminated by the end of 2017).
- Transferring consumer access (chartering and FOM) functions from the Office of Consumer Financial Protection and Access to the new CURE office so that the Office of Consumer Financial Protection will be focused exclusively on activities that support and protect credit union members, like consumer compliance and the consumer call center.
- The 2018 budget includes one additional FTE for OCIO to strengthen program management.

### **Focus on Core Mission and Streamlining Offices**

The NCUA's reform plan streamlines the organization and allows the agency to better focus on core missions, through the following actions:

- Creating the Office of Credit Union Resources and Expansion (CURE) by consolidating chartering, field of membership, credit union development, grants and loans, and minority depository institution preservation into the new organization. This new office will serve as the focal point for all credit union development interactions with the NCUA. Staff for this new office are mostly drawn from the Office of Small Credit Union Initiatives, which will be dissolved by the end of 2017.
- Transitioning the small credit union consulting program to an online training and consulting focus, reducing the number of economic development specialists positions by 13.
- Redefining the Office of Consumer Financial Protection to focus exclusively on consumer and member functions, dedicated to the consumer call center and consumer compliance.
- Reforming the Asset Management and Assistance Center (AMAC), to include changes to the servicing business model and moving to a functional supervisory structure. AMAC's accounting, information technology, and legal functions and staff will be realigned to their central office counterparts.

## **Agency Compliance with Federal Laws and Regulations**

As an agency of the Federal government, the NCUA has numerous statutory and regulatory mandates it must follow, and many of these mandates conform to good business practices. The NCUA is taking the following actions to increase its regulatory compliance and also improve how its business practices.

- Enhancing acquisition and procurement operations, through the implementation of a new Acquisition Policy Manual and the addition of three staff. The NCUA is committed acquiring essential products and services at fair and reasonable prices in a timely manner.
- Consolidating and enhancing the records management functions to meet government-wide standards. The agency reform plan consolidates responsibility for records management activities in the Office of General Counsel and increases agency staffing for this effort by eight positions.
- Increasing staffing in the OGC with one FTE in the enforcement and litigation division, and one FTE for an additional attorney to address procurement matters.
- Enhancing the NCUA's internal cyber security and information security program, by adding four information systems security officer positions in the 2018 budget.

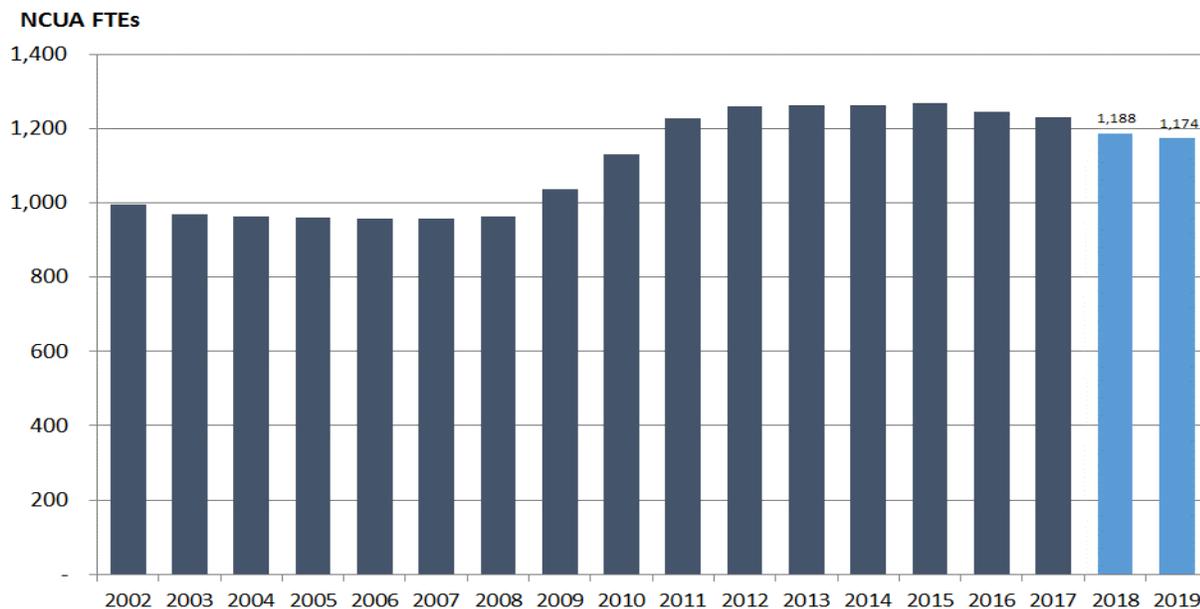
## Operating Fund Budget

### Staffing Levels

The 2018 Budget decreases by 42 the NCUA’s current authorized staffing level of 1,230. Based on the recommendations from the Agency Reform Plan and Exam Flexibility Initiative outlined on page 12, a reduction of 57 full-time equivalents in examiners will be spread across all regional offices. Other adjustments to the central office in support of the Reform Plan even with the request for seven new positions result in a lower FTE level of 1,188 for the 2018 Budget request.

In 2019, the elimination of 15 regional staff positions, primarily through attrition and early retirement, is recommended to achieve the appropriate workload balance to support the extended exam cycle and enhance examinations. One new legal position will be requested in 2019 for a net change of 14, which reduces authorized FTEs to a level of 1,174. This would lower the NCUA’s staffing by 95 positions from its peak in 2015.

**NCUA Staffing**



The NCUA employs a highly skilled regional workforce that consists of a wide variety of credit union examiner positions. While the majority of the field positions tend to be generalists, there are extensive specialists with expertise in capital markets, information systems, and financial lending. A summary of the actual on board positions as of December 31 for the last five years is provided in the following chart. The 2017 information is effective as of September 30.



Regional Examiner and Specialist Positions	2012	2013	2014	2015	2016	2017*
Credit Union Examiner	592	598	548	535	505	469
Regional Capital Market Specialist	13	15	19	23	25	23
Regional Information System Officer	7	6	11	14	18	17
Problem Case Officer	36	38	37	32	31	30
Regional Lending Specialist	18	22	25	31	31	28
Director of Special Actions	6	8	9	9	10	10
Supervisory CU Examiner	70	69	70	68	65	63
<b>Grand Total</b>	<b>742</b>	<b>756</b>	<b>719</b>	<b>712</b>	<b>685</b>	<b>640</b>

\*As of September 30, 2017

## Request for New Staff in 2018

### *Information Security (+4 new FTE)*

The Office of the Executive Director requests four information system security officers assigned to the Business Innovation Division to support all offices with their information security responsibilities as information system owners. The Federal Information Security Modernization Act requires federal departments and agencies to implement policies and information security controls, inventory and categorize information systems according to risk level, conduct risk assessments, and conduct continuous monitoring to reduce IT security risks to an acceptable level. While the management and oversight over the Agency’s Information Security Program rests with the Chief Information Office, each system owner is responsible for the procurement, development, integration, modification, operation, maintenance and disposal of its information systems.

The information system security officers are responsible for ensuring that the appropriate operational security posture is maintained for the information system working closely with the information system owner. The information system security officer also serves as a principal advisor on all matters, technical and otherwise, involving the security of an information system. The information system security officer has the detailed knowledge and expertise required to manage the security aspects of an information system and is assigned responsibility for the day-to-day security operations of a system. This responsibility may also include, but is not limited to, physical and environmental protection, personnel security, incident handling, and security training and awareness. The information system security officer may be called upon to assist in the development of the security policies and procedures and to ensure compliance with those policies and procedures. In close coordination with the information system owner, the information system security officer often plays an active role in the monitoring of a system and its environment of operation to include developing and updating the security plan, managing and controlling changes to the system, and assessing the security impact of those changes.

The additional resources housed in Business Innovation will provide oversight at an enterprise level, allow for separation of duties, and support safeguarding information entrusted to the NCUA by credit unions and their members. The personnel resource investment in the multi-year ESM program will establish a new foundation for the examination program.

*Information Technology Support (+1 new FTE)*

The Office of the Chief Information Officer requests one program manager to both lead special projects and to continue the agency's project and portfolio management practices. The initial special project that the information technology program manager will lead is the NCUA.gov redesign and platform modernization initiative, which is planned for implementation in 2018.

In addition to leading special projects, the IT program manager will play a key role in OCIO's overarching effort to address its technical and programmatic debt. More specifically, this resource will focus on developing OCIO's capabilities and optimizing process effectiveness to advance the organization's project management and execution, problem management, customer satisfaction, governance and other such capabilities. The outcome driven by the additional expertise and resources will be enhanced business capabilities achieved through IT modernization that meets cost, schedule and quality objectives. This resource investment will improve the quality and transparency of the information the NCUA's provides to credit union industry stakeholders and the general public.

*Enforcement and Litigation (+1 new FTE)*

The Office of General Counsel requests an additional attorney in the Enforcement and Litigation Division to support the agency and enable attorneys to work more collaboratively while the supervisory offices formal enforcement actions are being considered. This change would improve The NCUA's overall enforcement process by focusing the support efforts, investigations, or both more strategically and earlier in the process.

With current staffing levels, typically enforcement and litigation staff are only available to assist at a later stage of an enforcement action. In addition, the division currently has a significant backlog in prohibition actions, specifically those where the agency must prove its case. The press of defensive matters and deadline-driven concurrences of other offices' work prevent existing staff from reaching backlogged cases. Finally, enforcement and litigation attorney support is required to meet the growing legal requirements of the Asset Management and Assistance Center.

The credit union system will benefit in at least three ways from the addition of this attorney. First, improved coordination with the regional offices on formal enforcement actions will improve consistency in the NCUA's enforcement work, and thereby improve its effectiveness, and this will ultimately improve the NCUA's performance. Second, additional resources for prohibition actions will directly improve safety and soundness by keeping out of the system people who have committed serious misconduct; insufficient resources results in risks of having them remain a threat to safety and soundness through the possibility of further misconduct and by sending a message that misconduct might be tolerated. Third, the credit union system will benefit from increased efficiency, consistency, and transparency in the Asset Management and Assistance Center's operations, but achieving that will require more legal support than the office is currently positioned to provide.

*Procurement Legal Support (+1 new FTE)*

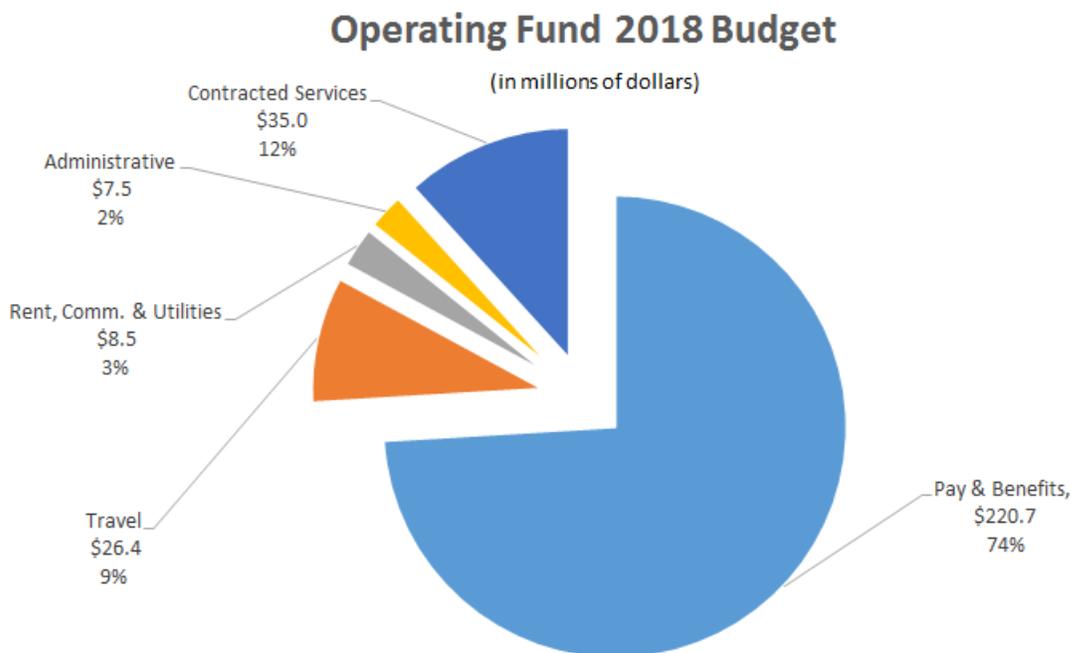
The Office of General Counsel requests an additional attorney to work exclusively on procurement matters. This would be the second attorney dedicated to support OCFO contract and procurement workload. The NCUA's acquisition requirements have grown in volume and complexity to comply with the new acquisition manual and sustain all of the agency contract requirements. The expanded scope of the Enterprise Solutions Modernization program has increased the contracting requirements which require the additional position to support the legal review of the NCUA contract workload.

### Budget Category Descriptions and Major Changes

The NCUA’s budget is comprised of five major budget categories. The types of expenses that support the NCUA’s operations are explained in this section to provide more comprehensive detail level of the Operating Fund budget components.

By Cost Category	2017 Board Approved Budget (Restated)	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
Employee compensation	214,453,000	220,700,000	6,247,000	2.9%	224,267,000	3,567,000	1.6%
Salaries*	152,148,000	158,826,000	6,678,000	4.4%	161,670,000	2,844,000	1.8%
Benefits	62,305,000	61,874,000	(431,000)	-0.7%	62,597,000	723,000	1.2%
Travel	28,465,000	26,448,000	(2,017,000)	-7.1%	26,316,000	(132,000)	-0.5%
Rent /Comm/Utilities*	8,064,000	8,489,000	425,000	5.3%	8,575,000	86,000	1.0%
Administrative*	7,814,000	7,477,000	(337,000)	-4.3%	7,547,000	70,000	0.9%
Contracted Services	33,308,000	34,983,000	1,675,000	5.0%	35,983,000	1,000,000	2.9%
<b>Total</b>	<b>\$ 292,104,000</b>	<b>\$ 298,097,000</b>	<b>5,993,000</b>	<b>2.1%</b>	<b>\$ 302,688,000</b>	<b>4,591,000</b>	<b>1.5%</b>

\* Prior Year Adjustment (-\$1.8M accrued annual leave, -\$5.6M depreciation expense and +\$1.34M King Street Station note)



## Employee Pay and Benefits

**The employee pay and benefits budget of \$220.7 million is requested.** This change is a \$6.2 million increase, or three percent more than the restated 2017 Board Approved Budget. Pay and benefits represent 74 percent of the total budget request. The primary driver of the change is merit and locality pay increases for the 1,188 personnel, in accordance with the NCUA’s current Collective Bargaining Agreement (CBA). The NCUA’s compensation continues to “maintain comparability with other federal bank regulatory agencies” as stipulated in the Federal Credit Union Act.<sup>11</sup>

Consistent with other federal pay systems, the NCUA’s compensation includes base pay and locality pay components. The NCUA staff will be eligible to receive an average merit-based increase of three percent, a 1.25 percent general pay scale increase, and a locality adjustment ranging from zero to three percent, depending on location. The increased cost of the seven new proposed positions is estimated to be \$600,000 and assumes the personnel will be on board for one-half of the year to account for the hiring and on-boarding process. The increases to the pay and benefits cost elements by office will vary based on current pay levels, position changes, and promotions.

The NCUA personnel compensation varies among every office and region depending on work experience, skills, years of service, supervisory or non-supervisory responsibilities, and geographic locations. More than 85 percent of the NCUA workforce has a bachelor’s degree or higher which are supported by competitive salaries. This compares to approximately 35 percent of the private-sector workforce with equivalent education. The compensation structure varies depending on the location of the employee which is tied to cost of living expenses. The federal government sets standard locality pay managed by the President's Pay Agent, which is a council established to make recommendations on federal pay. The council uses data from the Occupational Employment Statistics program, collected by the Bureau of Labor Statistics, to compare salaries in over 30 metropolitan areas.

The Office of Personnel Management (OPM) economic assumptions for actuarial valuation of the Federal Employees Retirement System (FERS) remains unchanged, so all federal agencies are expected to contribute 13.7 percent of FERS employees’ salary to the retirement system. The average health insurance increase for the Federal Employees Health Benefits program is consistent with historical actual expenses. The employee pay and benefits category also includes increased costs associated with promotions, position changes, and other mandatory employer contributions such as Social Security, Medicare, retirement, transportation subsidies, and workers’ compensation.

In addition, the budget includes adjustments for employee pay and benefits to account for likely annual attrition and turnover that lower the personnel compensation expenses. The budget reduction adjustment of \$1.5 million estimates there will be an average vacancy of nine positions during 2018.

The 2019 budget of \$224.3 million includes similar estimates for personnel accounting for an additional net reduction of 14 FTEs. The 2019 pay and benefits costs supports 1,174 authorized FTE and compensation increases in accordance with the CBA.

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<sup>11</sup> The Federal Credit Union Act states that, “In setting and adjusting the total amount of compensation and benefits for employees of the Board, the Board shall seek to maintain comparability with other [f]ederal bank regulatory agencies.” See 12 U.S.C. 1766(j)(2).

## Travel

**The travel budget estimate is \$26.4 million.** This change is a \$2.0 million decrease, a seven percent reduction, as compared to the 2017 Board Approved Budget. Travel comprises approximately nine percent of the overall 2018 budget. The decrease is primarily attributed to the reduction of the credit union examiner positions. The total travel budget includes expenses to cover meals and lodging, airfare, reimbursements for privately owned vehicle usage, auto rentals, and other travel costs. These are necessary expenses for examiners' onsite work in credit unions. Close to two-thirds of the NCUA's workforce is comprised of field staff who spend part of their time traveling to conduct the examination and supervision program and, to a lesser degree, to attend training.

Training-related travel expenses will increase to support field exams. For example, technical experts such as payment system, capital market, and lending specialists will assist field examiners with program examinations and training, while consumer access analysts will provide support on field consumer compliance issues and follow-up field assessments of business marketing plans for field-of-membership expansions.

Additional costs savings are possible through a reduction in the amount of onsite examination time spent at credit unions as more examination work is completed offsite. The agency continues to move from in-person training to virtual training where appropriate.

The 2019 budget request is \$26.3 million, and accounts for the reduced travel associated with 15 fewer regional staff with a net reduction of \$132,000.

## Rent, Communications, and Utilities

**The rent, communications and utilities budget is requested at \$8.5 million.** This change is a \$425,000 increase, or five percent more than the restated 2017 Board Approved Budget. This budget category is the smallest component of the NCUA's budget and covers primarily the agency's telecommunications and network expenses and facility rental costs. Office building leases, meeting rentals, office utilities, and postage expenses are included in this budget category. The agency telecommunications line item is \$3.1 million, and includes an inflationary adjustment of \$70,000 from the 2017 Board Approved Budget. The space rental line item consists of office leases in the amount of \$3.1 million, an increase of \$1.5 million from the prior year budget. For the first time, the agency annual lease note in the amount of \$1.3 million is included in the budget. This is an annual payment to the Share Insurance Fund until the note is repaid in 2023. Other inflationary rental costs associated with group meetings and office building rent account for the increase over the prior year.

The 2019 budget request is \$8.6 million and accounts for inflationary adjustments. While we will reduce leased space by 80 percent, our existing leases do not expire until 2020, and contain annual increases. Until those leases expire or we sublet the space we no longer need, our rent expenses will continue to increase until 2020, at which point they will decline.

## Administrative Expenses

**The administrative budget is requested at \$7.5 million.** This estimate is a decrease of \$337,000, or four percent, compared to the restated 2017 Board Approved Budget. The administrative budget category restatement excludes depreciation and amortization expenses of capital acquisition and software licenses that support operational requirements because they have no decision-making impact on the budget. Recurring costs include the annual Federal Financial Institutions Examination Council reimbursement fees, employee relocation expenses, recruitment and advertising, shipping, printing, subscriptions and publications, examiner training and meeting supplies, office furniture, and employee supplies and materials.

Funding for service and end-user licensing costs for office products and database management applications and other software licenses and maintenance fees will cost \$2.5 million in 2018. This includes annual license maintenance fee for the call center managed by the Office of Consumer Financial Protection.

As part of the Federal Financial Institutions Examination Council, the NCUA shares in costs for joint actions and services that involve all financial institutions. These costs are largely outside the NCUA's control and are estimated at \$1.3 million, or \$230,000 more than 2017.

The NCUA identified cost savings in this budget category. Administrative costs associated with shipping, printing, recruitment and advertising are estimated to be \$350,000 less than the prior year, and in line with reduced personnel levels supported by the Agency Reform Plan.

## Contracted Services

**The contracted services budget is requested at \$35.0 million.** This change is a \$1.7 million increase, or a five percent increase, compared to the 2017 Board Approved Budget.

Contracting specific expertise is often a cost-effective approach to support the NCUA's mission. The contracted services line items of the budget reflect costs incurred when products and services are acquired in the commercial marketplace. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise that enable the NCUA to meet its mission.

The majority of contracted services funding is related to the NCUA's priority goal of implementing a robust supervision framework, to include identifying and resolving traditional risk concerns such as interest rate risk, credit risk, and concentration risk, as well as new and evolving operational risks including cybersecurity risks.

Most of the funding requested for the contracted services category is for recurring infrastructure costs to the agency. For example, the agency relies on recurring contracted services to maintain a number of the NCUA systems including critical legacy systems such as the Automated Integrated Regulatory Examination System and Credit Union Online. Here are other items requiring funding:

- Funds are needed to meet **training requirements of the examiner workforce**. The NCUA's most important resource is a highly qualified, skilled workforce. It is important that staff have the proper knowledge, skills, and abilities to perform assigned duties and meet emerging needs. Examiners are required to attend several levels of examiner training, followed by training in core areas such as capital markets, consumer compliance, and specialized lending. The training deliverables for 2018 include classes offered by the Federal Financial Institutions Examination Council, new examiner classes, and several subject matter expert training sessions for the NCUA examiners and state regulators. More online learning will be provided through a combination of in-house and vendor-supported initiatives. By utilizing a new virtual training delivery platform, a variety of in-house training can be offered with different delivery modes that include interactive web-based training, micro-learning and virtual instructor-led training. Contracted resources will be used to develop and redesign several core training classes for examiners and training plans for subject matter experts.
- Funds are needed for **information security program** costs that support ongoing efforts to strengthen cybersecurity and to ensure compliance with the Federal Information System Management Act. This federal requirement was updated in 2014 and continues to lay the groundwork for federal agencies to evaluate and understand the security of their information systems, applicable controls, and potential threats, while helping to resolve any deficiencies.
- Funds are needed for **agency financial management services, human resources technology support, and payroll services**. The NCUA contracts for these services with the U.S. Department of Transportation's Enterprise Service Center and the General Services Administration. The service provider will no longer be offering these services. As such, a human resource replacement system is required for 2018. The HR Links system has been adopted by many federal agencies, and the shared solution is expected to automate routine human resource tasks and improve time and attendance functionality.
- Funds are needed to conduct the annual audit for the NCUA's four permanent funds which are posted annually on the website and also included as part of the NCUA Annual report.

The contracted services have been divided into seven major categories to improve the clarity of the types of recurring annual expenditures:

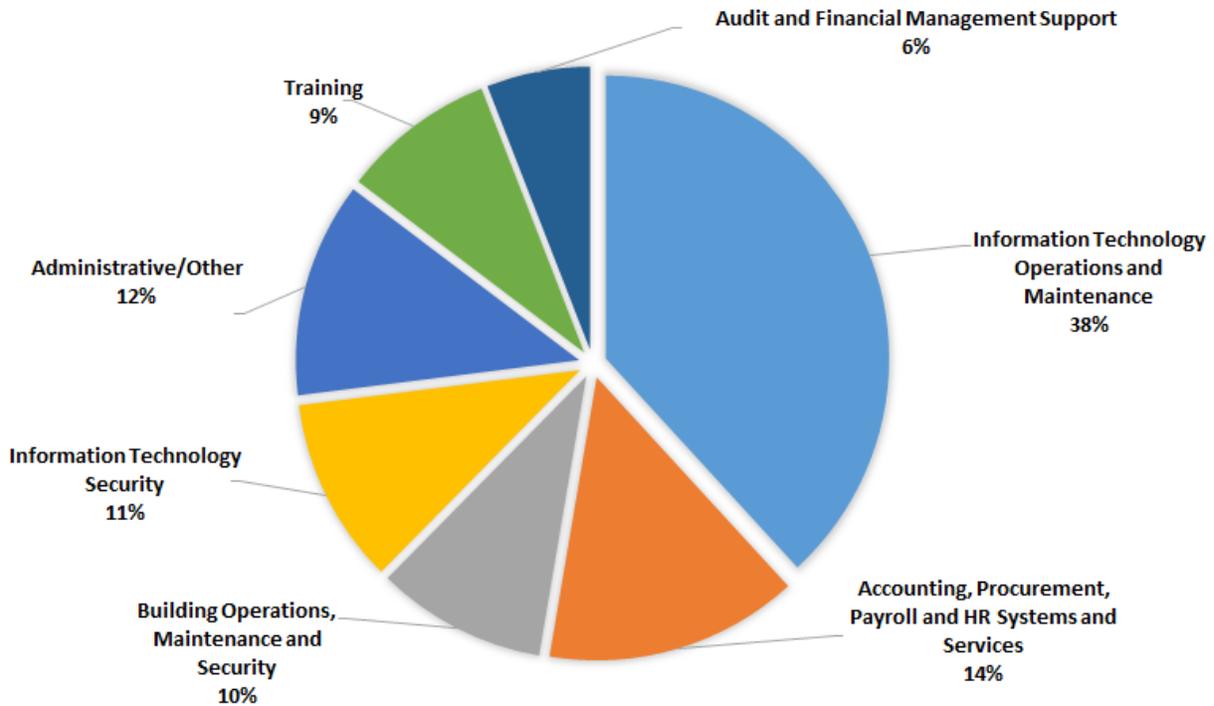
- Information Technology Operations and Maintenance (38 percent of contracted services budget)
  - IT network support services and help desk support
  - Contractor program and web support, and network and equipment maintenance services
  - Administration of software products such as Microsoft Office tools, Share Point and audio visual services
- Accounting, Procurement, Payroll and Human Resources Systems (14 percent of contracted services)
  - Accounting and procurement systems and support
  - Human resources, payroll, and employee services
  - Equal employment opportunity and diversity programs

- Administrative Support and Other Services (12 percent of contracted services)
  - Examination and supervision program support
  - Technical support for examination and cybersecurity training programs
  - Equipment maintenance services
  - Legal services and other expert consulting support
  - Other administrative mission support services for central office
  
- Building Operations, Maintenance, and Security (10 percent of contracted services)
  - Central office facility operations and maintenance
  - Building security and continuity programs
  - Personnel security and administrative programs
  
- Information Technology Security (11 percent of contracted services)
  - Enhanced secure data storage and operations
  - Information security programs
  - Security system assessment services
  
- Training (9 percent of contracted services)
  - Examiner staff technical and specialized training and development
  - Senior executive and mission support staff professional development
  
- Audit and Financial Management Support (6 percent of contracted services)
  - Annual audit support services
  - Material loss reviews
  - Investigation support services
  - Financial management support services

The pie chart summarizes each of the seven categories for contracted services. The 2018 Budget request for contracted services is \$1.7 million over the 2017 Board Approved Budget. This is primarily due to the operations and maintenance costs associated with ongoing capital projects. These include systems that support the modernization of the NCUA’s IT tools including the Automated Integrated Regulatory Examination System and Credit Union Online. The Enterprise Solutions Management program will improve future operational efficiency and flexibility through improved user experiences for the NCUA staff and credit unions. Other agency contract services costs cover core agency business operation systems and recurring costs as described in the seven major categories.

**Contracted Services (\$ millions)**

Total Contract Budget = \$35M



**System Enhancements**

The **Office of Chief Financial Officer** estimates the human resource and payroll system replacement will cost \$1.3 million for 2018. The annual recurring operating costs will be roughly half of the initial year cost starting in 2019. The purpose of the General Services Administration Line of Business Transition project is to replace the NCUA’s existing human resource system and the time and attendance system, with an externally-hosted system. There is a small capital component that will support this project transition and roll out in 2018 is estimated to cost \$350,000. A full description of the project is included in Appendix C.

The **Office of Chief Information Officer** estimates an additional \$1.9 million of contractor support requirements in 2018 to support the NCUA program requirements.

***Increased third party contractor support – \$409,000***

The NCUA relies on third party software to support new or emerging business demand. The software is configured to meet specific business needs of the NCUA. As the NCUA business needs change, additional configuration costs are incurred. Some of the program areas supported through this are: human resources, field of membership, grants, personnel security and incident management.

***IT Service Desk – \$961,000***

The NCUA needs to expand its IT support to meet growing customer service demands from the central office, the five regional offices and state regulators. Contractors will increase the capacity of the help desk and provide unique skills to address improvements to the current service desk delivery model. The additional support will provide the NCUA technical staff more time to focus on complex technical issues while delegating routine troubleshooting to less-costly contractor support.

***Expanded AIRES technical support – \$281,000***

AIRES is the primary tool used by examiners to conduct credit union examinations. This expanded support is needed to maintain this complex, custom-built application until it is replaced by the Enterprise Solution Modernization initiative.

***Contractor transition cost – \$250,000***

The current contract support for Software Development and Application Operations and Maintenance is set to expire at the end of 2018. The NCUA will compete and award a new contract and needs to allow for a proper transition.

## Capital Budget

The NCUA uses a zero-based budget process to identify the new investment needs for information technology and building improvements and repairs. The NCUA has enhanced its information security program to comply with federal requirements as well as safeguard against cyberthreats. The IT investments also include ongoing enhancements and upgrades to decades-old legacy systems that currently support the exam program. Hardware replacement also occurs periodically to refresh agency equipment and provide staff with essential tools to enhance their productivity.

Maintaining the investment in the NCUA's central office building is a necessary resource requirement. Every year, new assessments are made to determine any essential repairs, replacements, or renovations needed to the infrastructure.

**NCUA's 2018 capital budget is estimated to be \$15.4 million.** The capital budget includes long-term investment projects that are acquired through a competitive bidding process. The Information Technology Prioritization Council recommended \$13.9 million for IT software development projects in 2018. These projects represent a scaled priority list reduced from original submissions from all of the NCUA's offices.

There are \$5.7 million of major information technology software development investments.

- **\$1.9 million Business Intelligence Tools and Capability Enhancement.** The purpose of this project is the collection, centralization, organization and storage of large credit union data for the purpose of more accurate and efficient analysis. This accessibility will be combined with business intelligence (BI) tools to improve overall reporting and data analysis capabilities. The primary goal for this project is an organized and governed data warehouse that hosts clean and accurate data from legacy, enhanced and new systems in a manner that allows for timely, distributed reporting (BI tools) and can adapt to fluctuating market conditions.
- **\$2.1 million AMAC Servicing System Solution.** The purpose of this project is to enhance a number of AMAC legacy systems and to replace the aging AMAC servicing systems with modern servicing, document management, customer relationship management, case management, business intelligence and analytics capabilities. AMAC conducts credit union liquidations and performs management and recovery of assets. Using a phased approach, the NCUA plans to research and procure solutions to replace the current set of systems that support AMAC.
- **\$600,000 Enterprise Data Analytics, Governance and Reporting Services.** The purpose of this project is the centralization, organization and storage of the NCUA data so analysis is more accurate, simple and easily distributed across the agency. This increased accessibility is combined with analytic tools to improve the NCUA's overall reporting and data analysis capabilities.
- **\$433,000 Asset and Liabilities Management Application.** This project leverages the work on the BI tools and will allow the NCUA to build internal capabilities to conduct analytics and run stress testing. It will include incorporating off-the-shelf tools commonly used in risk

management. In addition, the project will allow the NCUA to reduce contractor support and deliver a complete solution that will focus on modernizing the NCUA's Supervision tools, identifying the material risks, tailoring resources to the risks and evaluating the feasibility of a more virtual exam process.

- **\$350,000 Human Resource Business Solution.** The purpose of this General Service Administration (GSA) driven Line of Business Transition project is to replace the NCUA's existing Human Resource (HR) system, and the time and attendance (T&A) system, with an externally-hosted modernized system. The current HR system and services will no longer be supported by GSA. This automated tool used by HR professionals to document employment (i.e., changes in salary, position, benefits, etc.), and creates a comprehensive employment history. The Electronic Time and Attendance System (ETAMS) is the current GSA-developed T&A system which will no longer be supported.
- **\$250,000 Enterprise Learning Management System Replacement.** The Learn Center is a Learning Management System (LMS) that serves as the NCUA's primary system for hosting and delivering eLearning courses to its employees. The Learn Center is currently nine years old and as such is restricted in its content delivery and management capabilities. Given the increase of eLearning courses being developed and purchased for deployment, the increase in regulatory training and reporting requirements, there is a growing need for users to have mobile access to training content. The NCUA must acquire and implement a next generation LMS to meet its expanding training requirements.

A total of \$9.0 million is requested for other technology investments primarily consisting of hardware and agency infrastructure tools and upgrades.

- **\$1.9 million Enterprise Laptop Refresh.** The NCUA's current workstations are all nearing the end of a three-year leasing agreement. In addition, these machines run on the Windows 7 Operating System (OS), which will no longer be supported by Microsoft beginning in early 2020. Consequently, the NCUA needs to replace its entire fleet of aging laptops with modern devices that run on the Windows 10 OS. The updated workstations and OS will provide staff with new functionality and improved security features.
- **\$3.7 million IT Infrastructure, Platform and Security Refresh.** The following Infrastructure, Platform and Security technology systems require updating to achieve the cited performance metrics:
  - **Infrastructure and Platform** with an emphasis on Co-Location (COLO) and Regional routers, switches, virtual servers, wireless, virtual privacy network end-of-life and end-of-service components.
  - **Voice over Internet Protocol** to fully replace the end-of-life infrastructure. We are replacing an antiquated phone system with a more modern, cloud-based, Voice Over Internet Protocol system.
  - **Disaster Recovery** infrastructure and platform to align with the COLO for continuity of operations and backup and recovery capabilities for Mission Essential Function and Essential Supporting Activity resilience and security.

- **\$1.3 million Agency Modernization Infrastructure Support.** The purpose of this project is to modify the NCUA’s systems and websites to implement the Agency Modernization Plan. This will require modifications to the following:

  - Business Systems - Applications and associated databases must be updated to support the new agency structure, while allowing for historical reporting based on the old structure.
  - Agency Websites - The primary public website (NCUA.gov) and Intranet websites (NCUA Central) must be updated to support and reflect the new agency structure.
  - Logical and Physical Provisioning - Access, ports, etc.
  - IT Infrastructure and Platforms - Equipment must be removed, repurposed, or decommissioned.
  
- **\$1.2 million Agency Web Design and Platform Modernization.** The primary goal of the NCUA.gov redesign project is to develop a more intuitive, functional and modern agency website, which will enhance the NCUA’s ability to communicate with its stakeholders and execute its mission. Additionally, this project seeks to improve the efficiency with which it manages its web assets by implementing a new content management system and off-site hosting.
  
- **\$750,000 Home Mortgage Disclosure Act System Development (HMDA).** HMDA requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity, report the data annually to the government, and make the data publicly available. The NCUA enforces compliance with HMDA requirements in all federally insured credit unions. Historically, the NCUA, as a Federal Financial Institutions Examination Council (FFIEC) member agency, has contributed the proportionate costs of HMDA data collection and processing.
  
- **\$250,000 Credit and Deposit Analytic Solution.** By modernizing the current systems (with AIRES replacement at the center), the Examination and Supervision Solution effort will put access to the key examination and supervision capabilities into a streamlined toolset, allowing examiners and supervisors to be more efficient, consistent and effective. As part of replacing AIRES, the Enterprise Solution Modernization (ESM) team conducted market research to find a solution for a complete replacement of AIRES. Through market research, product demonstrations, and discussions with stakeholders, the ESM team determined the audit management solutions did not offer the required out of the box credit portfolio analytics. Therefore, in collaboration with the NCUA stakeholders, the ESM team decided to procure a service or solution, separate from the AIRES replacement acquisition, to replace and improve current analytic tools.

A total of **\$750,000** is requested for office building renovation projects. Ongoing office renovations in the central office continue to ensure the space will be used more efficiently and will avoid the expense of purchasing or leasing additional outside space in future years. The NCUA plans to replace its heating, ventilating, and air conditioning (HVAC) system that is original to the building and is 24 years old. Capital improvements are also needed for the Austin, Texas facility that co-locates Region IV and AMAC. A facility condition assessment will determine the remaining life span of the building components. Based on the assessment, a maintenance plan will be developed that will allow for the

equipment to continue to operate and anticipate the replacement schedule for many of the outdated property components.

Appendix C includes detailed project descriptions for each of the 2018 and 2019 capital projects with information on scope and key deliverables, schedule, operations and maintenance cost estimates, risk management, and technical benefits. Some ongoing 2017 projects are also included to reflect the updated status and progress developments.

CAPITAL INVESTMENT PROJECTS			
Description	2017 Board Approved Budget	2018 Requested Budget	2019 Requested Budget
<b>Information technology software development investments</b>	\$ 11,746,000	\$ 5,653,000	\$ 15,051,000
Examination and Supervision Solution	\$ 8,000,000		\$ 8,414,000
Data Collection Solution	\$ 700,000		
Business Intelligence Tools and Capability Enhancement	\$ 1,705,000	\$ 1,920,000	\$ 1,920,000
Enterprise Records Management Solution	\$ 241,000		
AMAC Servicing System Solution	\$ 700,000	\$ 2,100,000	\$ 600,000
Enterprise Data Analytics, Governance and Reporting Services		\$ 600,000	\$ 600,000
Asset and Liabilities Management Application		\$ 433,000	\$ 3,167,000
Human Resource Business Solution	\$ 400,000	\$ 350,000	
Enterprise Learning Management System Replacement		\$ 250,000	\$ 350,000
<b>Other information technology investments</b>	\$ 2,225,000	\$ 9,000,000	\$ 5,495,000
Enterprise Laptop Refresh	\$ 915,000	\$ 1,850,000	\$ 1,000,000
IT Infrastructure, Platform and Security refresh	\$ 460,000	\$ 3,700,000	\$ 1,700,000
Agency Modernization Infrastructure Support		\$ 1,250,000	\$ -
Agency Web Design and Platform modernization		\$ 1,200,000	
Home Mortgage Disclosure Act System Development (cost sharing)	\$ 750,000	\$ 750,000	\$ -
Consumer Lending Software (APRWIN & APYWIN cost sharing)	\$ 100,000		
Credit and Deposit Analytic Solution		\$ 250,000	
Enterprise Video Conference Collaboration Services and Upgrades			\$ 2,125,000
Security management tool upgrades			\$ 670,000
<b>Capital building improvements and repairs</b>	\$ 1,820,000	\$ 750,000	\$ 600,000
Central Office Elevator Replacement	\$ 1,250,000		
Central Office HVAC Replacement		\$ 650,000	
Central Office General Building Improvements	\$ 570,000	\$ -	\$ 500,000
Region IV / AMAC General Building Improvements		\$ 100,000	\$ 100,000
<b>TOTAL CAPITAL PROJECTS</b>	\$ 15,791,000	\$ 15,403,000	\$ 21,146,000

## Share Insurance Fund Administrative Budget

The Share Insurance Fund Administrative budget allocates funds for direct costs associated with authorized Share Insurance Fund activities. For 2018, a budget has been developed to reflect the closure of the Temporary Corporate Credit Union Stabilization Fund into the Share Insurance Fund. The former direct charges to the Share Insurance Fund are combined with the NGN program and administrative costs, and represent total estimated costs to the Share Insurance Fund.<sup>12</sup>

With the Board action on September 28, 2017 to close the Stabilization Fund, all funds, property, other assets and obligations of the Stabilization Fund will be distributed to and belong to the Share Insurance Fund, which under statute can and will fulfill any obligations of the Stabilization Fund. Congress authorized the NCUA to create the Stabilization Fund to accrue the losses of the failed corporate credit unions during the financial crisis that began in 2008 and to recover such losses over time through mitigation efforts and assessments on federally insured credit unions. Federally insured credit unions have already paid assessments totaling \$4.8 billion to cover losses from the 2008 credit crisis. Total net recoveries from various financial institutions are nearly \$4 billion as of September 2017. The funds held in the Stabilization Fund were transferred to the Share Insurance Fund effective October 1, 2017. This action is supported by 12 U.S.C. §1790e(h) – Closing of Stabilization Fund statute states, “...the Board shall distribute any funds, property, or other assets remaining in the Stabilization Fund to the Insurance Fund and shall close the Stabilization Fund.”

The Stabilization Fund had funded the costs of the NCUA Guaranteed Notes (NGN) program, as well as costs incurred in support of the Corporate System Resolution Program. Effective October 1, 2017 with the close of the Stabilization Fund, these costs will be funded from the Share Insurance Fund Administrative Budget and have no impact on current and future NCUA Operating budgets. The budget for the Share Insurance Fund now includes funding to support administering the NGN program as well as expenditures previously authorized as direct expenses of the Share Insurance Fund for items such as state examiner computer leases and training. Other direct expenses include contract support for stress testing for certain large credit unions and financial audit support.

### Summary

The 2018 total Share Insurance Fund Administrative budget is estimated to be \$7.4 million. To provide comparability to 2017, an adjusted 2017 budget is comprised of the Stabilization Fund’s budget approved by the NCUA Board and Share Insurance Fund’s estimated direct expenses for 2017. This adjusted 2017 budget totals \$10.1 million and decreases by 27 percent for 2018. A \$2.7 million decrease is provided by reductions in contracted services support for stress testing and financial audit support. The Share Insurance Fund Administrative budget will fund five positions that were formerly part of the Stabilization Fund budget. These costs will enable the NCUA to continue managing the NGN program. The legacy assets included in the NGN trusts consisted of over 1,000 investment securities that are secured by millions in residential, commercial mortgages, and other assets.

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<sup>12</sup> Note these direct costs are exclusive of any costs that are shared with the Operating Fund through the Overhead Transfer Rate, and with payments available upon requisition by the Board, without fiscal year limitation, for insurance under section 1787 of this title, and for providing assistance and making expenditures under section 1788 of this title in connection with the liquidation or threatened liquidation of insured credit unions as it may determine to be proper.

The 2019 requested budget supports the same level of resources and would reflect minor inflationary increases of \$78,000 for a budget estimate of \$7.5 million.

### **Pay and Benefits**

The employee pay and benefits expense category is estimated to be \$1.26 million, which represents an increase of \$67,000. Personnel compensation is 17 percent of the total Share Insurance Fund Administrative budget. The financial analysts on the NCUA Guaranteed Notes team have specialized technical expertise to manage the remaining \$11 billion of legacy assets.

A major driver of the personnel cost is merit and locality pay in accordance with the NCUA's Collective Bargaining Agreement. The U.S. Office of Personnel Management (OPM) has not adjusted the economic assumptions used for actuarial valuation of the Federal Employees Retirement System (FERS). For 2018, all federal agencies are expected to contribute 13.7 percent of FERS salaries to the FERS retirement system. The average health insurance increase for the Federal Employees Health Benefits program is consistent with historical actual expenses. The employee pay and benefits category includes other mandatory employer contributions such as Social Security, Medicare, retirement, transportation subsidies, and worker's compensation.

### **Travel**

The estimated travel cost of \$75,000 is one percent of the overall 2018 Share Insurance Fund Administrative budget and increases by seven percent from last year's budget estimate. These costs cover all of the travel expenses for the five staff that manage and support the NGN program. Two of the five staff are remote employees and are expected to travel periodically to the central office. The travel also includes trips to review and perform oversight over the contract management of the NCUA Guaranteed Notes portfolio. Travel costs reflect increased requirements and more direct staff oversight of the program.

### **Administrative Training**

Training expenses, which represent less than one percent of the budget, are estimated to be \$30,000, an increase of \$11,000 from the 2017 Board Approved Budget based on updated projections of employee professional development plans and specialized training requirements.

### **Contracts**

Contract costs to support the NGN program, which represent 36 percent of the budget, are estimated to be \$2.6 million, a decrease of \$222,000 from the Board Approved 2017 Budget. Funding is needed to fulfill Corporate System Resolution Program requirements and includes outside professional services such as external valuation experts, financial specialists, and accountants.

These experts are needed to assist the NCUA with the following types of services:

- **Valuation Services** in the amount of \$1,080,000 to fund valuation and due diligence support around the legacy asset disposition process. As supported by the NCUA Guaranteed Notes Oversight Committee, resources are also needed to run special analyses.
- **Consulting Services** in the amount of \$695,000 will support two offices with the central office in NCUA: Examination and Insurance and the Chief Financial Officer. Services will include the quarterly due diligence process on contract valuations, as well as analyses on emerging issues. Support for the annual financial audit process and improvements in internal controls will also be provided by contractors. Some of the tasks include supporting complex accounting and financial requirements for settlements, sale of legacy assets, parity payments, changing valuation model assumptions, and other asset disposition activities. Other accounting services include performing internal control assessments and providing accounting services in support of the annual financial statement audit.
- **Software and Data Subscription Services** in the amount of \$811,000 will support standard tools used to provide waterfall models, calculations, and metrics for the structured investment products underlying the NCUA Guaranteed Notes portfolio. The service provides coverage of all relevant asset classes, waterfall models that are seasoned and tested throughout the industry, and a broad array of calculations and metrics. Financial analytics data play a critical role in the surveillance, modeling, and pricing of the legacy assets that comprise the NCUA Guaranteed Notes Trusts, as well as supporting the due diligence that the NCUA performs on the cash flow projections provided by its contract support. Now that the NCUA Guaranteed Notes have begun maturing, the NCUA has added data subscription services to provide additional valuation and has added due diligence support around the legacy asset disposition process.

Other **annual subscriptions** provide important services related to surveillance of the portfolio of corporate bonds and mortgage-related bonds. **Independent credit research services** include fundamental capital structure research, credit analyses for surveillance of corporate bond portfolio and monoline insurer exposure, and direct access to various industry experts for discussion on specific credits.

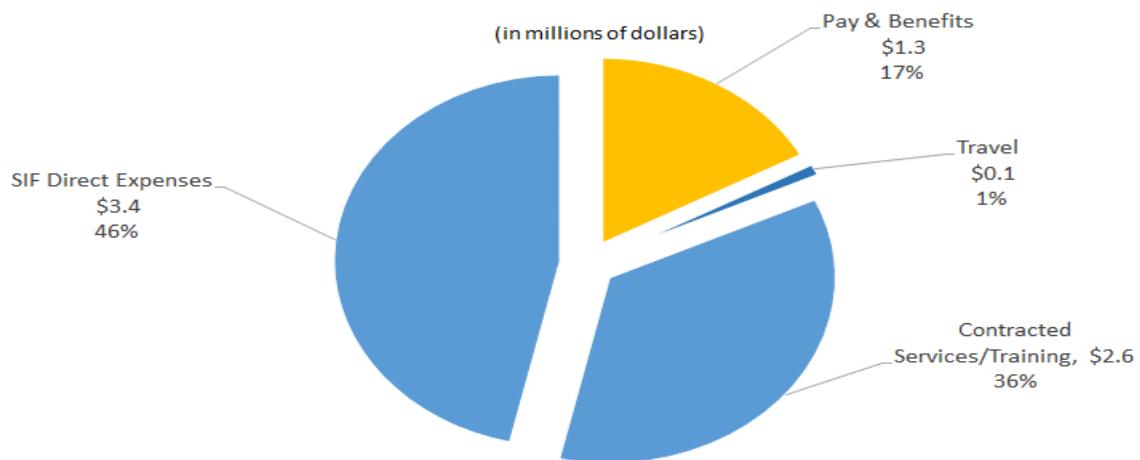
### Other Direct Expenses (non-personnel)

Other direct expenses of the Share Insurance Fund represent 46 percent of the budget, and are estimated to be \$3.4 million. The estimated costs for state examiner computer leases and training in the amount of \$1.5 million are unchanged from prior years. Stress testing for large credit unions is expected to decrease as more in-house expertise is developed within the NCUA. The financial audit support is also expected to decline as the NCUA will have four funds that require audit with the Stabilization Fund closure.



2018 - 2019 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET									
By Cost Category	2017 Board Approved Stabilization Budget	2017 Restated Budget (includes Stabilization Fund closure)		2018 Requested Budget	Change (2017-18)	Change Percent (2017-18)	2019 Requested Budget	2018 FTE	2019 FTE
Employee Pay and Benefits	\$ 1,193,000	\$ 1,193,000	\$ 1,260,000	67,000	5.6%	\$ 1,330,000	5	5	
Travel	70,000	70,000	75,000	5,000	7.1%	75,000			
Administrative (NGN Staff Training)	19,000	19,000	30,000	11,000	57.9%	30,000			
Support for NCUA Guaranteed Note Program:	2,808,000	2,808,000	2,586,000	(222,000)	-7.9%	2,594,000			
Consulting	923,000	923,000	695,000	(228,000)	-24.7%	700,000			
Valuation Services	1,080,000	1,080,000	1,080,000	-	0.0%	1,080,000			
Software/Data Subscriptions	805,000	805,000	811,000	6,000	0.7%	814,000			
Share Insurance Fund Direct Expenses:		5,965,000	3,425,000	(2,540,000)	-42.6%	3,425,000			
State Examination computer leases		500,000	500,000	-	0.0%	500,000			
State Examination Training		1,025,000	1,025,000	-	0.0%	1,025,000			
Stress testing for large credit unions		3,920,000	1,450,000	(2,470,000)	-63.0%	1,450,000			
Financial Audit Support		520,000	450,000	(70,000)	-13.5%	450,000			
<b>Total</b>	<b>\$ 4,090,000</b>	<b>\$ 10,055,000</b>	<b>\$ 7,376,000</b>	<b>\$(2,679,000)</b>	<b>-26.6%</b>	<b>\$ 7,454,000</b>	<b>5</b>	<b>5</b>	

### Share Insurance Fund 2018 Administrative Budget



The [NCUA Website](https://www.ncua.gov) has a dedicated section to explain the NCUA Guaranteed Notes Program and provides comprehensive reporting and analysis on the legacy assets.<sup>13</sup>

<sup>13</sup> See <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>.



## Appendix A: Supplemental Budget Information

### Budget by Strategic Goal

Strategic Goal	2018 Proposed	
	Dollars (in millions)	Staffing (Full-time equivalents*)
Goal 1: Ensure a safe and sound credit union system	\$205.1	957.4
Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access	\$29.2	113.0
Goal 3: Maximize organizational performance to enable mission success	\$63.8	117.6
<b>Total</b>	<b>\$298.1</b>	<b>1,188.0</b>
<p>Expenses for the Offices of the Board, Executive Director, Inspector General, Public and Congressional Affairs, and Chief Financial Officer are allocated across all strategic goals.</p> <p>*NCUA's 2018 positions are funded by three different sources: the Central Liquidity Facility funds 3 full-time equivalents, and the Share Insurance Fund funds 5 full-time equivalents. NCUA's Operating Fund funds the remaining 1,180 full-time equivalents.</p>		



**The NCUA Office Budgets**

2018 - 2019 NCUA OPERATING FUND BUDGET							
Office	2017 Board Approved Budget (Restated)	2018 Requested Budget	2017 - 2018 Change		2019 Requested Budget	2018 - 2019 Change	
Office of the Board	2,659,000	2,695,000	36,000	1.4%	2,735,000	40,000	1.5%
Office of the Executive Director (1)							
Office of the Executive Director (core)	1,949,000	2,047,000	98,000	5.0%	2,071,000	24,000	1.2%
Enterprise Systems Management	929,000	1,782,000	853,000	91.8%	1,815,000	33,000	1.9%
Federal Financial Institutions Examination Council	1,047,000	1,280,000	233,000	22.3%	1,293,000	13,000	1.0%
Office of Continuity and Security Management	4,164,000	4,357,000	193,000	4.6%	4,398,000	41,000	0.9%
Office of Minority and Women Inclusion	3,367,000	3,486,000	119,000	3.5%	3,523,000	37,000	1.1%
Office of the Chief Economist	1,788,000	1,997,000	209,000	11.7%	2,028,000	31,000	1.6%
Office of Consumer Financial Protection	9,428,000	4,970,000	(4,458,000)	-47.3%	5,048,000	78,000	1.6%
Office of the Chief Financial Officer (2)	15,521,000	19,593,000	4,072,000	26.2%	19,790,000	197,000	1.0%
King Street Station Note	1,340,000	1,340,000	-	0.0%	1,340,000	-	0.0%
Cross-cutting agency expenses	(475,000)	(603,000)	(128,000)	26.9%	(448,000)	155,000	-25.7%
Office of the Chief Information Officer	30,571,000	33,250,000	2,679,000	8.8%	34,549,000	1,299,000	3.9%
Office of National Examinations and Supervision	10,974,000	11,576,000	602,000	5.5%	11,741,000	165,000	1.4%
Credit Union Resources and Expansion	6,454,000	10,366,000	3,912,000	60.6%	10,526,000	160,000	1.5%
Office of Examination & Insurance (2)	12,023,000	12,664,000	641,000	5.3%	12,853,000	189,000	1.5%
Office of General Counsel	7,502,000	10,725,000	3,223,000	43.0%	10,892,000	167,000	1.6%
Office of Inspector General	3,665,000	3,720,000	55,000	1.5%	3,760,000	40,000	1.1%
Office of Human Resources	15,671,000	15,752,000	81,000	0.5%	15,927,000	175,000	1.1%
Office of Public and Congressional Affairs	2,205,000	1,811,000	(394,000)	-17.9%	1,836,000	25,000	1.4%
Region I - Albany	30,774,000	28,954,000	(1,820,000)	-5.9%	29,266,000	312,000	1.1%
Region II - Capital	32,132,000	30,544,000	(1,588,000)	-4.9%	30,883,000	339,000	1.1%
Region III - Atlanta	31,255,000	28,394,000	(2,861,000)	-9.2%	28,695,000	301,000	1.1%
Region IV - Austin	32,098,000	30,896,000	(1,202,000)	-3.7%	31,232,000	336,000	1.1%
Region V - Tempe	33,681,000	32,126,000	(1,555,000)	-4.6%	32,496,000	370,000	1.2%
Asset Management & Assistance Center	7,382,000	4,375,000	(3,007,000)	-40.7%	4,439,000	64,000	1.5%
EFI/Other Program Adjustments	(6,000,000)	-	6,000,000				
<b>Total*</b>	<b>\$ 292,104,000</b>	<b>\$ 298,097,000</b>	<b>\$ 5,993,000</b>	<b>2.1%</b>	<b>\$ 302,688,000</b>	<b>\$ 4,591,000</b>	<b>1.5%</b>

\* \$298.2M 2017 Budget restated to reflect exclusion of non-cash items and inclusion of King Street Station Note.

- (1) FFIEC Budget was previously allocated to three separate offices (E&I, OCP and OHR) and is now managed centrally by the Executive Director and has been restated
- (2) Budget includes 8 FTE related to other NCUA funds; 3 FTE are paid for by the Central Liquidity Facility and 5 FTE are paid for by the Share Insurance Fund.
- (3) NCUA will continue to make refinements to office specific allocations as a result of the Agency Reform Plan.

**Board Budgets**

CHAIRMAN MCWATTERS: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	3.0	3.0	-	-	3.0	-	-
Employee Compensation	715,701	705,859	(9,842)	-1.4%	717,301	11,442	1.6%
Salaries	530,759	525,303	(5,456)	-1.0%	534,758	9,455	1.8%
Benefits	184,942	180,557	(4,386)	-2.4%	182,543	1,986	1.1%
Travel	49,800	70,000	20,200	40.6%	70,000	-	0.0%
Rent /Comm/Util	150	150	-	0.0%	152	2	1.0%
Administrative	7,500	10,000	2,500	33.3%	10,100	100	1.0%
Contracted Services	41,000	42,000	1,000	2.4%	42,000	-	0.0%
<b>Total</b>	<b>\$ 814,151</b>	<b>\$ 828,009</b>	<b>\$ 13,858</b>	<b>1.7%</b>	<b>\$ 839,552</b>	<b>\$ 11,543</b>	<b>1.4%</b>

BOARD MEMBER METSGER: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	3.0	3.0	-	-	3.0	-	-
Employee Compensation	607,379	661,980	54,601	9.0%	672,686	10,707	1.6%
Salaries	456,576	489,288	32,712	7.2%	498,096	8,807	1.8%
Benefits	150,803	172,691	21,888	14.5%	174,591	1,900	1.1%
Travel	70,000	45,000	(25,000)	-35.7%	45,450	450	1.0%
Rent /Comm/Util	750	500	(250)	-33.3%	500	-	0.0%
Administrative	18,500	6,000	(12,500)	-67.6%	6,060	60	1.0%
Contracted Services	45,000	14,000	(31,000)	-68.9%	14,000	-	0.0%
<b>Total</b>	<b>\$ 741,629</b>	<b>\$ 727,480</b>	<b>\$ (14,149)</b>	<b>-1.9%</b>	<b>\$ 738,696</b>	<b>\$ 11,217</b>	<b>1.5%</b>

BOARD MEMBER (Vacant): 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	3.0	3.0	-	-	3.0	-	-
Employee Compensation	591,320	630,000	38,680	6.5%	640,000	10,000	1.6%
Salaries	451,147	460,000	8,853	2.0%	468,000	8,000	1.7%
Benefits	140,173	170,000	29,827	21.3%	172,000	2,000	1.2%
Travel	45,000	40,000	(5,000)	-11.1%	40,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	6,000	6,000	-	0.0%	6,060	60	1.0%
Contracted Services	41,000	40,000	(1,000)	-2.4%	40,000	-	0.0%
<b>Total</b>	<b>\$ 683,820</b>	<b>\$ 716,500</b>	<b>\$ 32,680</b>	<b>4.8%</b>	<b>\$ 726,560</b>	<b>\$ 10,060</b>	<b>1.4%</b>

*\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.*



**Office Budget Summary**

OFFICE OF THE BOARD: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	11.0	11.0	-	-	11.0	-	-
Employee Compensation	2,323,242	2,408,562	85,320	3.7%	2,447,351	38,789	1.6%
Salaries	1,729,743	1,778,432	48,689	2.8%	1,810,161	31,729	1.8%
Benefits	593,499	630,130	36,631	6.2%	637,190	7,060	1.1%
Travel	166,650	156,500	(10,150)	-6.1%	156,965	465	0.3%
Rent /Comm/Util	1,400	1,150	(250)	-17.9%	1,157	7	0.6%
Administrative	32,275	22,000	(10,275)	-31.8%	22,220	220	1.0%
Contracted Services	135,000	107,500	(27,500)	-20.4%	107,500	-	0.0%
<b>Total</b>	<b>\$ 2,658,567</b>	<b>\$ 2,695,712</b>	<b>\$ 37,145</b>	<b>1.4%</b>	<b>\$ 2,735,193</b>	<b>\$ 39,481</b>	<b>1.5%</b>

OFFICE OF THE EXECUTIVE DIRECTOR: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	10.0	16.0	6.0	60.0%	16.0	-	-
Employee Compensation	2,461,455	3,428,710	967,255	39.3%	3,484,272	55,563	1.6%
Salaries	1,826,966	2,549,470	722,504	39.5%	2,595,361	45,891	1.8%
ED Core	1,187,528	1,633,470	445,942	37.6%	1,662,873	29,402	1.8%
ESM	639,438	916,000	276,562	0.0%	932,488	16,488	1.8%
Benefits	634,488	879,239	244,751	38.6%	888,911	9,672	1.1%
ED Core	412,417	529,239	116,822	28.3%	535,061	5,822	1.1%
ESM	222,071	350,000	127,929	0.0%	353,850	3,850	1.1%
Travel	103,900	120,000	16,100	15.5%	121,200	1,200	1.0%
ED Core	28,900	35,000	6,100	21.1%	35,350	350	1.0%
ESM	75,000	85,000	10,000	0.0%	85,850	850	1.0%
Rent /Comm/Util	20,600	20,500	(100)	-0.5%	20,705	205	1.0%
Administrative	24,500	1,305,000	1,280,500	5226.5%	1,318,050	13,050	1.0%
ED Core	24,500	25,000	500	2.0%	25,250	250	1.0%
FFIEC	-	1,280,000	1,280,000	-	1,292,800	12,800	1.0%
Contracted Services	267,500	234,500	(33,000)	-12.3%	234,500	-	0.0%
<b>Total</b>	<b>\$ 2,877,955</b>	<b>\$ 5,108,710</b>	<b>\$ 2,230,755</b>	<b>77.5%</b>	<b>\$ 5,178,727</b>	<b>\$ 70,018</b>	<b>1.4%</b>

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	12.0	12.0	-	-	12.0	-	-
Employee Compensation	2,249,264	2,492,727	243,463	10.8%	2,533,031	40,304	1.6%
Salaries	1,682,491	1,840,595	158,104	9.4%	1,873,726	33,131	1.8%
Benefits	566,773	652,132	85,359	15.1%	659,305	7,173	1.1%
Travel	39,925	39,800	(125)	-0.3%	40,198	398	1.0%
Rent /Comm/Util	-	-	-	-	-	-	-
Administrative	71,500	30,000	(41,500)	-58.0%	30,300	300	1.0%
Contracted Services	1,803,522	1,794,642	(8,880)	-0.5%	1,794,642	-	0.0%
<b>Total</b>	<b>\$ 4,164,211</b>	<b>\$ 4,357,169</b>	<b>\$ 192,958</b>	<b>4.6%</b>	<b>\$ 4,398,171</b>	<b>\$ 41,002</b>	<b>0.9%</b>

*\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.*



OFFICE OF MINORITY AND WOMEN INCLUSION: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	10.0	10.0	-	-	10.0	-	-
Employee Compensation	2,049,679	2,159,801	110,121	5.4%	2,195,900.0	36,099	1.7%
Salaries	1,548,377	1,604,302	55,925	3.6%	1,633,180	28,878	1.8%
Benefits	501,302	555,499	54,196	10.8%	562,720	7,221	1.3%
Travel	83,136	74,399	(8,737)	-10.5%	75,143	744	1.0%
Rent /Comm/Util	5,500	5,500	-	0.0%	5,555	55	
Administrative	115,885	115,650	(235)	-0.2%	116,807	1,157	1.0%
Contracted Services	1,112,390	1,130,663	18,273	1.6%	1,130,663	-	0.0%
<b>Total</b>	<b>\$ 3,366,590</b>	<b>\$ 3,486,013</b>	<b>\$ 119,422</b>	<b>3.5%</b>	<b>\$ 3,524,067</b>	<b>\$ 38,055</b>	<b>1.1%</b>

OFFICE OF THE CHIEF ECONOMIST: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	7.0	7.0	-	-	7.0	-	-
Employee Compensation	1,544,449	1,748,956	204,506	13.2%	1,777,365	28,409	1.6%
Salaries	1,146,692	1,310,090	163,398	14.2%	1,333,672	23,582	1.8%
Benefits	397,757	438,866	41,109	10.3%	443,693	4,828	1.1%
Travel	28,000	28,000	-	0.0%	28,280	280	1.0%
Rent /Comm/Util	500	500	-	0.0%	505	5	1.0%
Administrative	211,011	215,839	4,828	2.3%	217,997	2,158	1.0%
Contracted Services	4,500	3,375	(1,125)	-25.0%	3,375	-	0.0%
<b>Total</b>	<b>\$ 1,788,460</b>	<b>\$ 1,996,670</b>	<b>\$ 208,209</b>	<b>11.6%</b>	<b>\$ 2,027,522</b>	<b>\$ 30,853</b>	<b>1.5%</b>

OFFICE OF CONSUMER FINANCIAL PROTECTION: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	46.0	24.0	(22.0)	-47.8%	24.0	-	-
Employee Compensation	8,484,703	4,602,243	(3,882,460)	-45.8%	4,676,401	74,157	1.6%
Salaries	6,150,491	3,361,813	(2,788,678)	-45.3%	3,422,325	60,513	1.8%
Benefits	2,334,212	1,240,431	(1,093,782)	-46.9%	1,254,075	13,645	1.1%
Travel	761,903	269,073	(492,830)	-64.7%	271,764	2,691	1.0%
Rent /Comm/Util	34,350	24,245	(10,105)	-29.4%	24,487	242	1.0%
Administrative	511,503	26,403	(485,100)	-94.8%	26,667	264	1.0%
Contracted Services	91,388	48,572	(42,816)	-46.9%	48,572	-	0.0%
<b>Total</b>	<b>\$ 9,883,847</b>	<b>\$ 4,970,537</b>	<b>\$ (4,913,310)</b>	<b>-49.7%</b>	<b>\$ 5,047,891</b>	<b>\$ 77,355</b>	<b>1.6%</b>

\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.



OFFICE OF THE CHIEF FINANCIAL OFFICER: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	39.0	53.0	14.0	35.9%	53.0	-	-
Employee Compensation	7,674,200	10,007,644	2,333,444	30.4%	10,098,952	91,308	0.9%
Salaries	5,502,400	7,029,474	1,527,074	27.8%	7,088,021	58,547	0.8%
Benefits	2,171,800	2,978,171	806,371	37.1%	3,010,931	32,760	1.1%
Travel	72,200	(435,000)	(507,200)	-702.5%	(209,756)	225,244	-51.8%
Rent /Comm/Util	514,100	2,045,500	1,531,400	297.9%	2,065,465	19,965	1.0%
Administrative	7,858,000	1,412,850	(6,445,150)	-82.0%	1,426,979	14,129	1.0%
Contracted Services	6,327,500	7,299,000	971,500	15.4%	7,299,000	-	0.0%
<b>Total</b>	<b>\$ 22,446,000</b>	<b>\$ 20,329,994</b>	<b>\$ (2,116,006)</b>	<b>-9.4%</b>	<b>\$ 20,680,640</b>	<b>\$ 350,645</b>	<b>1.7%</b>

OFFICE OF THE CHIEF INFORMATION OFFICER: 2018-2019 BUDGET SUMMARY CHECK							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	40.0	43.0	3.0	7.5%	44.0	1.0	2.3%
Employee Compensation	8,493,976	9,362,994	869,019	10.2%	9,595,857	232,863	2.5%
Salaries	6,241,790	6,934,509	692,719	11.1%	7,112,539	178,031	2.6%
Benefits	2,252,186	2,428,486	176,300	7.8%	2,483,318	54,832	2.3%
Travel	169,850	161,950	(7,900)	-4.7%	163,570	1,620	1.0%
Rent /Comm/Util	3,782,000	3,907,000	125,000	3.3%	3,946,070	39,070	1.0%
Administrative	2,199,970	2,563,870	363,900	16.5%	2,589,509	25,639	1.0%
Contracted Services	15,925,599	17,253,940	1,328,341	8.3%	18,253,940	1,000,000	5.8%
<b>Total</b>	<b>\$ 30,571,395</b>	<b>\$ 33,249,754</b>	<b>\$ 2,678,360</b>	<b>8.8%</b>	<b>\$ 34,548,945</b>	<b>\$ 1,299,191</b>	<b>3.9%</b>

OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	38.0	45.0	7.0	18.4%	45.0	-	-
Employee Compensation	8,536,848	9,094,944	558,096	6.5%	9,240,962	146,018	1.6%
Salaries	6,158,731	6,567,606	408,875	6.6%	6,685,823	118,217	1.8%
Benefits	2,378,118	2,527,339	149,221	6.3%	2,555,139	27,801	1.1%
Travel	1,900,500	1,808,189	(92,311)	-4.9%	1,826,271	18,082	1.0%
Rent /Comm/Util	16,325	16,805	480	2.9%	16,973	168	1.0%
Administrative	40,100	61,057	20,957	52.3%	61,668	611	1.0%
Contracted Services	480,370	594,965	114,595	23.9%	594,965	-	0.0%
<b>Total</b>	<b>\$ 10,974,143</b>	<b>\$ 11,575,960</b>	<b>\$ 601,817</b>	<b>5.5%</b>	<b>\$ 11,740,838</b>	<b>\$ 164,878</b>	<b>1.4%</b>

\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.



OFFICE OF CREDIT UNION RESOURCE AND EXPANSION: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	28.0	36.0	8.0	28.6%	36.0	-	-
Employee Compensation	5,780,005	9,522,877	3,742,871	64.8%	9,676,705	153,829	1.6%
Salaries	4,269,467	7,010,978	2,741,512	64.2%	7,137,176	126,198	1.8%
Benefits	1,510,539	2,511,898	1,001,360	66.3%	2,539,529	27,631	1.1%
Travel	428,866	538,000	109,134	25.4%	543,380	5,380	1.0%
Rent /Comm/Util	22,750	17,750	(5,000)	-22.0%	17,928	178	1.0%
Administrative	27,425	23,250	(4,175)	-15.2%	23,483	233	1.0%
Contracted Services	195,400	264,400	69,000	35.3%	264,400	-	0.0%
<b>Total</b>	<b>6,454,446</b>	<b>10,366,277</b>	<b>3,911,831</b>	<b>60.6%</b>	<b>10,525,895</b>	<b>\$ 159,619</b>	<b>1.5%</b>

OFFICE OF EXAMINATION AND INSURANCE: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	51.0	53.0	2.0	3.9%	53.0	-	-
Employee Compensation	9,947,903	10,931,964	984,060	9.9%	11,109,083	177,120	1.6%
Salaries	7,295,358	8,124,044	828,686	11.4%	8,270,277	146,233	1.8%
Benefits	2,652,546	2,807,919	155,374	5.9%	2,838,807	30,887	1.1%
Travel	1,050,000	1,001,643	(48,357)	-4.6%	1,011,659	10,016	1.0%
Rent /Comm/Util	12,600	14,200	1,600	12.7%	14,342	142	1.0%
Administrative	353,000	267,216	(85,784)	-24.3%	269,888	2,672	1.0%
Contracted Services	888,000	448,500	(439,500)	-49.5%	448,500	-	0.0%
<b>Total</b>	<b>\$ 12,251,503</b>	<b>\$ 12,663,523</b>	<b>\$ 412,019</b>	<b>3.4%</b>	<b>\$ 12,853,473</b>	<b>\$ 189,951</b>	<b>1.5%</b>

OFFICE OF GENERAL COUNSEL: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	30.8	43.8	13.0	42.2%	44.8	1.0	2.3%
Employee Compensation	7,108,380	10,226,711	3,118,331	43.9%	10,392,715	166,004	1.6%
Salaries	5,315,698	7,644,274	2,328,576	43.8%	7,781,871	137,597	1.8%
Benefits	1,792,682	2,582,437	789,755	44.1%	2,610,844	28,407	1.1%
Travel	156,000	156,000	-	0.0%	157,560	1,560	1.0%
Rent /Comm/Util	500	-	(500)	-100.0%	-	-	0.0%
Administrative	6,000	6,000	-	0.0%	6,060	60	1.0%
Contracted Services	231,000	336,000	105,000	45.5%	336,000	-	0.0%
<b>Total</b>	<b>\$ 7,501,880</b>	<b>\$ 10,724,711</b>	<b>\$ 3,222,831</b>	<b>43.0%</b>	<b>\$ 10,892,335</b>	<b>\$ 167,624</b>	<b>1.6%</b>

*\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.*



OFFICE OF HUMAN RESOURCES: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	42.0	42.0	-	-	42.0	-	-
Employee Compensation	8,748,608	9,079,982	331,373	3.8%	9,223,058	143,077	1.6%
Salaries	6,037,042	6,171,019	133,977	2.2%	6,282,097	111,078	1.8%
Benefits	2,711,566	2,908,963	197,396	7.3%	2,940,961	31,999	1.1%
Travel	2,656,605	2,826,615	170,010	6.4%	2,854,881	28,266	1.0%
Rent /Comm/Util	238,325	294,180	55,855	23.4%	297,122	2,942	1.0%
Administrative	983,891	532,601	(451,290)	-45.9%	533,206	605	0.1%
Contracted Services	3,406,221	3,018,943	(387,278)	-11.4%	3,018,943	-	0.0%
<b>Total</b>	<b>\$ 16,033,650</b>	<b>\$ 15,752,321</b>	<b>\$ (281,329)</b>	<b>-1.8%</b>	<b>\$ 15,927,210</b>	<b>\$ 174,890</b>	<b>1.1%</b>

OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	7.0	7.0	-	-	7.0	-	-
Employee Compensation	1,494,053	1,545,155	51,103	3.4%	1,570,180	25,024	1.6%
Salaries	1,105,649	1,146,826	41,177	3.7%	1,167,469	20,643	1.8%
Benefits	388,404	398,329	9,926	2.6%	402,711	4,382	1.1%
Travel	14,700	12,300	(2,400)	-16.3%	12,423	123	1.0%
Rent /Comm/Util	-	-	-	0.0%	-	-	0.0%
Administrative	42,510	42,236	(274)	-0.6%	42,658	422	1.0%
Contracted Services	653,325	210,975	(442,350)	-67.7%	210,975	-	0.0%
<b>Total</b>	<b>\$ 2,204,588</b>	<b>\$ 1,810,666</b>	<b>\$ (393,921)</b>	<b>-17.9%</b>	<b>\$ 1,836,236</b>	<b>\$ 25,570</b>	<b>1.4%</b>

REGION 1: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	161.0	149.0	(12.0)	-7.5%	127.0	(22.0)	-14.8%
Employee Compensation	26,354,165	24,869,751	(1,484,414)	-5.6%	25,267,673	397,922	1.6%
Salaries	18,845,169	17,764,954	(1,080,215)	-5.7%	18,084,723	319,769	1.8%
Benefits	7,508,996	7,104,797	(404,199)	-5.4%	7,182,950	78,153	1.1%
Travel	3,770,000	3,412,290	(357,710)	-9.5%	3,321,413	(90,877)	-2.7%
Rent /Comm/Util	276,500	301,525	25,025	9.1%	304,540	3,015	1.0%
Administrative	176,800	179,500	2,700	1.5%	181,295	1,795	1.0%
Contracted Services	197,000	191,000	(6,000)	-3.0%	191,000	-	0.0%
<b>Total</b>	<b>\$ 30,774,465</b>	<b>\$ 28,954,066</b>	<b>\$ (1,820,399)</b>	<b>-5.9%</b>	<b>\$ 29,265,921</b>	<b>\$ 311,855</b>	<b>1.1%</b>

*\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.*



REGION 2: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	165.0	154.0	(11.0)	-6.7%	168.0	14.0	9.1%
Employee Compensation	27,931,145	26,472,686	(1,458,459)	-5.2%	26,897,084	424,397	1.6%
Salaries	19,913,935	19,028,254	(885,680)	-4.4%	19,370,763	342,509	1.8%
Benefits	8,017,211	7,444,432	(572,779)	-7.1%	7,526,321	81,889	1.1%
Travel	3,223,350	3,164,566	(58,784)	-1.8%	3,071,212	(93,354)	-2.9%
Rent /Comm/Util	622,925	670,302	47,377	7.6%	677,005	6,703	1.0%
Administrative	133,178	128,610	(4,568)	-3.4%	129,896	1,286	1.0%
Contracted Services	221,312	107,896	(113,416)	-51.2%	107,896	-	0.0%
<b>Total</b>	<b>\$ 32,131,910</b>	<b>\$ 30,544,060</b>	<b>\$ (1,587,850)</b>	<b>-4.9%</b>	<b>\$ 30,883,093</b>	<b>\$ 339,032</b>	<b>1.1%</b>

REGION 3: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	160.0	148.0	(12.0)	-7.5%	124.0	(24.0)	-16.2%
Employee Compensation	26,090,827	23,909,040	(2,181,787)	-8.4%	24,290,460	381,420	1.6%
Salaries	18,317,425	16,917,195	(1,400,230)	-7.6%	17,221,705	304,510	1.8%
Benefits	7,773,402	6,991,845	(781,557)	-10.1%	7,068,755	76,910	1.1%
Travel	4,471,000	3,845,000	(626,000)	-14.0%	3,758,450	(86,550)	-2.3%
Rent /Comm/Util	404,000	432,000	28,000	6.9%	436,320	4,320	1.0%
Administrative	161,300	147,300	(14,000)	-8.7%	148,773	1,473	1.0%
Contracted Services	128,000	61,000	(67,000)	-52.3%	61,000	-	0.0%
<b>Total</b>	<b>\$ 31,255,127</b>	<b>\$ 28,394,340</b>	<b>\$ (2,860,787)</b>	<b>-9.2%</b>	<b>\$ 28,695,003</b>	<b>\$ 300,663</b>	<b>1.1%</b>

REGION 4: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
FTE	162.2	151.2	(11.0)	-6.8%	158.2	7.0	4.6%
Employee Compensation	26,364,069	25,831,513	(532,556)	-2.0%	26,244,283	412,770	1.6%
Salaries	18,628,404	18,374,763	(253,640)	-1.4%	18,705,509	330,746	1.8%
Benefits	7,735,666	7,456,750	(278,916)	-3.6%	7,538,774	82,024	1.1%
Travel	5,287,664	4,560,000	(727,664)	-13.8%	4,480,600	(79,400)	-1.7%
Rent /Comm/Util	168,587	122,836	(45,751)	-27.1%	124,064	1,228	1.0%
Administrative	164,565	165,335	770	0.5%	166,988	1,653	1.0%
Contracted Services	112,639	216,314	103,675	92.0%	216,314	-	0.0%
<b>Total</b>	<b>\$ 32,097,524</b>	<b>\$ 30,895,998</b>	<b>\$ (1,201,526)</b>	<b>-3.7%</b>	<b>\$ 31,232,250</b>	<b>\$ 336,252</b>	<b>1.1%</b>

\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.



REGION 5: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
<b>FTE</b>	<b>162.0</b>	<b>151.0</b>	<b>(11.0)</b>	<b>-6.8%</b>	<b>161.0</b>	<b>10.0</b>	<b>6.6%</b>
Employee Compensation	27,980,371	26,827,297	(1,153,074)	-4.1%	27,271,187	443,890	1.7%
Salaries	20,003,935	19,149,327	(854,608)	-4.3%	19,494,015	344,688	1.8%
Benefits	7,976,436	7,677,971	(298,465)	-3.7%	7,777,172	99,202	1.3%
Travel	4,930,000	4,540,352	(389,648)	-7.9%	4,460,756	(79,596)	-1.8%
Rent /Comm/Util	404,130	439,000	34,870	8.6%	443,390	4,390	1.0%
Administrative	190,568	177,300	(13,268)	-7.0%	179,073	1,773	1.0%
Contracted Services	175,500	142,000	(33,500)	-19.1%	142,000	-	0.0%
<b>Total</b>	<b>\$ 33,680,569</b>	<b>\$ 32,125,949</b>	<b>\$ (1,554,620)</b>	<b>-4.6%</b>	<b>\$ 32,496,405</b>	<b>\$ 370,456</b>	<b>1.2%</b>

ASSET MANAGEMENT AND ASSISTANCE CENTER: 2018-2019 BUDGET SUMMARY							
	2017 Board Approved Budget	2018 Requested Budget	2017-2018 Change	Change Percent	2019 Requested Budget	2018-2019 Change	Change Percent
<b>FTE</b>	<b>38.0</b>	<b>21.0</b>	<b>(17.0)</b>	<b>-44.7%</b>	<b>21.0</b>	<b>0.0</b>	<b>0.0%</b>
Employee Compensation	6,674,149	3,750,665	(2,923,484)	-43.8%	3,811,006	60,342	1.6%
Salaries	4,859,598	2,726,329	(2,133,269)	-43.9%	2,775,403	49,074	1.8%
Benefits	1,814,551	1,024,335	(790,215)	-43.5%	1,035,603	11,268	1.1%
Travel	242,000	136,600	(105,400)	-43.6%	137,966	1,366	1.0%
Rent /Comm/Util	197,005	174,791	(22,214)	-11.3%	176,539	1,748	1.0%
Administrative	88,530	34,916	(53,614)	-60.6%	35,265	349	1.0%
Contracted Services	180,300	277,960	97,660	54.2%	277,960	-	0.0%
<b>Total</b>	<b>\$ 7,381,984</b>	<b>\$ 4,374,932</b>	<b>\$ (3,007,052)</b>	<b>-40.7%</b>	<b>\$ 4,438,736</b>	<b>\$ 63,805</b>	<b>1.5%</b>

*\*Note minor rounding differences may occur in totals. Change comparison is with the original 2017 Board Approved Budget.*

## Appendix B: Fact Sheets

### Budget Process Fact Sheet

#### *Overview*

The National Credit Union Administration continues to strengthen the integration of planning and budget to ensure agency resources are aligned with strategic priorities, identify areas for continuous improvement, and focus on opportunities to save resources.

Each summer, under the leadership of the NCUA Chief Financial Officer, the NCUA develops its budget using zero-based budgeting techniques, which ensure total spending is individually justified to the Board in order to be considered for funding. Under this process, the budget for each office is evaluated to ensure the NCUA resources are allocated efficiently and priority needs are funded, regardless of the prior year funding level. The NCUA requires each office to explain the merits of every line item, the specific needs for each category of spending, and the basis of developing each cost estimate.

After receiving the proposed budget for each NCUA office, the Chief Financial Officer and Executive Director meet individually with central office and regional directors so that each budget and associated line item can be reviewed, explained, and justified.

As the budget formulation process is iterative, refinements are continually made, resulting in rolling adjustments to the budget proposal. During the budget development process, the Executive Director and Chief Financial Officer brief the Chairman and each NCUA Board Member on the budget proposals submitted, updated, and recommended. In addition, analytical and summary information is prepared to provide for comparison to prior years and to highlight material increases or decreases in budget items.

#### *Budget Development*

Given the nature of the NCUA's mission and strategic plan goals and objectives, funding to support staffing levels is the single largest budget category.

In developing the budget proposal, the examination and supervision workload is estimated to determine the number of staff hours necessary to carry out the NCUA's dual mission as insurer and regulator. The workload analysis is a bottom-up process with the field staff reviewing the condition and supervision needs for each credit union and recommending the hours for each. The estimates are refined by management in the field program until the final budget proposal is completed.

The workload analysis establishes the foundation for the Office of National Examinations and Supervision and the regional budget requests, which represent just under 70 percent of the NCUA personnel. Based on the workload analysis, the NCUA determines staffing levels and requisite personnel compensation and benefits required to support the workload hours.

In addition, all twenty-one NCUA offices develop a bottom-up resource request. Each position must be validated and updated with the requisite personnel information to project salary and benefit costs accurately with the approved merit, locality and other inflationary adjustments such as health care costs. Any new resource requirements supporting a new position are presented and must be justified

by the applicable office director to the NCUA’s Executive Director and Chief Financial Officer and the Board.

When the Executive Director and Chief Financial Officer complete their analyses of requested positions, detailed briefings to each Board Member for their consideration. Whenever possible, the Board makes every effort to curtail any net addition of full-time equivalent positions, by use of attrition and strategic allocation of resources. After evaluating all alternatives, the Board ultimately determines whether any new positions are warranted. Other specific estimation procedures include:

- Travel requirements for all examination program staff are identified and justified based on workload analysis, meeting and conference plans, and individual development plans.
- Rent, communication and utility expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs; however, all costs are examined and estimated. The NCUA staff also examine for cost savings. Examples of cost reductions that can be identified include efficiency savings associated with utilities, postage savings or lease renegotiations.
- Administrative expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs, and all costs are examined and estimated. Costs typically include large recurring expenses such as software licenses and maintenance fees, depreciation expense, laptop computer leases, and mandatory expenses such as Federal Financial Institutions Examination Council fees.
- Contract expenses, which include a variety of projects, are assessed based on priority requirements as determined by the agency’s strategic plan and statutory requirements. Annual project reviews are conducted to ensure plans are consistent with the goals and objectives in the NCUA’s Strategic Plan. In addition, contract spending associated with software development is prioritized by the NCUA’s Information Technology Priority Council.

### ***Two-Year Budget***

The NCUA Board reinstated the two-year budget process in 2016. This was standard practice in the NCUA for many years prior to the 2008 financial crisis. It also is commonplace in federal government agencies today. The second year budget estimate represents our best current estimate and will be revisited again the following year with updated and more accurate information.

### ***Capital Budget***

The NCUA’s capital budget is also zero-based to identify the new investment needs for information technology and building improvements and repairs.

The NCUA has enhanced its information security program to comply with federal requirements as well as safeguard against cyber threats. The information technology investments also include ongoing enhancements and upgrades to decades old legacy systems that support the exam program. Hardware replacement occurs periodically to refresh agency equipment that provide staff with essential tools to enhance their productivity.

Maintaining the investment in the NCUA's central office building is a necessary resource requirement. Every year, new assessments are made to determine any essential repairs, replacements, or renovations needed to the infrastructure.

## Budget Savings Fact Sheet

The NCUA's budget is a product of thorough planning and evaluation by all offices to use the agency's resources in the most efficient manner without sacrificing our core mission of protecting safety and soundness. Every office must explain the merit of all requested line items and the methodology used to develop the cost estimate. The requests are then thoroughly reviewed by the Chief Financial Officer and Executive Director, who in turn make recommendations on funding levels to the NCUA Board.

An important part of the analysis leading up to the annual budget proposal is identifying options to streamline the NCUA operations and recognize methods to reduce current costs and avoid future costs.

A few examples of savings from the 2018 NCUA Budget include:

- The NCUA **avoided costs of approximately \$9 million** in pay, benefits, travel, and other support costs by reducing 57 regional positions to align with current projected workload as recommended by the Exam Flexibility Initiative and the agency modernization plan. The field examiner positions will be reduced by 42, while the supervisory examiners will be reduced by 15 to support an updated supervisor to examiner ratio.
- The NCUA central office merger includes part of the Office of Consumer Financial Protection with the newly created office of Credit Union Resource Expansion. The total office cost is estimated to be **\$400,000** less than the prior office structure budget.
- The NCUA reduced training videos costs by **\$360,000** from the prior year.
- The NCUA administrative cost reductions associated with shipping, printing, and recruitment and advertising are estimated to be **\$350,000** less than the prior year.
- The NCUA reduced centralized contracted training support services by **\$290,000** to reflect the smaller workforce.

## Budget and Financial Transparency Fact Sheet

The National Credit Union Administration is committed to financial transparency by regularly providing the public with information concerning its budget and spending.

The NCUA discloses more information about its budget and spending than independent federal financial services regulatory agencies are required to make available to the public. In fact, the NCUA provides more financial information than its regulated credit unions are required to provide to their own members.

### *Monthly and Quarterly Financial Reports*

The NCUA's Chief Financial Officer reports quarterly to the NCUA Board at public meetings on the financial status of the National Credit Union Share Insurance Fund and the Temporary Corporate Credit Union Stabilization Fund. Video, audio and written transcripts of these public quarterly financial reports are posted on the NCUA's [website](#) for a full year.

In addition, the NCUA posts publicly reports on the fiscal status of the four permanent funds and one temporary fund managed by the agency. These include:

- **Operating Fund**
- National Credit Union **Share Insurance Fund**
- **Central Liquidity Facility**
- **Community Development Revolving Loan Fund**
- **Temporary Corporate Credit Union Stabilization Fund** (closed effective October 1, 2017)

### *Annual Financial Reports*

The [NCUA website](#) hosts a dedicated **budget resource center**. Further, the NCUA's **Strategic Plan and Annual Performance Plans** are also released to the public. Finally, the NCUA's **Audited Financial Statements** for all four permanent funds and the **Temporary Corporate Credit Union Stabilization Fund** are initially released publicly through the NCUA's **Office of Inspector General**. The NCUA also publishes its **Annual Report**. Together, these financial reports provide a comprehensive picture of the NCUA's spending and financial performance.

Each year, the NCUA's Chief Financial Officer presents the proposed Operating Budget and Capital Budget during the public meeting of the NCUA Board in November. As part of this process, the NCUA releases a memorandum that describes the proposed budgets in detail and requested staffing levels.

At the request of stakeholders, shortly after the NCUA Board approved the 2017 Operating Budget, the agency also posted non-aggregated budgets for each NCUA office. The non-aggregated budgets break down the top five budget components and the cost element detail for each of the 15 Central Offices, five Regional Offices, and the Asset Management and Assistance Center.

In addition, the Chief Financial Officer also conducts a mid-session budget review and presents the results, including any proposed budget adjustments, to the NCUA Board's public meeting every July.

***Reading the NCUA Financial Statements and Budget Materials***

The NCUA financial statement presentation and note disclosures are presented as required by generally accepted accounting principles (GAAP), as applicable for government agencies, as evidenced by all funds receiving a unmodified (or clean) audit opinion from the independent auditors. Detailed expenditure information is presented on the face of the financial statements for the Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund.

For the Share Insurance Fund, expenditure data is aggregated within the principal financial statements as required by GAAP; however, *more detailed information can be found within the financial statement note disclosures*. For example, on the face of the 2016 Share Insurance Fund's Statements of Net Cost, an aggregate balance is presented for Operating Expenses. However, within the financial statement notes, Operating Expenses are detailed by the following specific line-item categories: employee salaries; employee benefits; employee travel; contracted services; administrative costs; and rent, communications, and utilities.

In compliance with federal law, a portion of the Operating Budget is reimbursed from the Share Insurance Fund through the Overhead Transfer Rate. The percentage of the Operating Budget paid for by the Share Insurance Fund is also presented to the NCUA Board each year at the November meeting.

## Procurement Process Fact Sheet

The National Credit Union Administration is committed to providing an efficient and effective contracting framework that promotes competition while purchasing the goods and services necessary for the agency to achieve its mission.

Contracted services include critical mission support and infrastructure such as IT hardware and software development support, accounting and auditing services, hotel lodging, and training. Contracting specialized subject matter expertise is often a cost-effective approach to support career staff. To that end, the NCUA uses the commercial marketplace to obtain necessary goods and services which offer the best value to the agency.

The NCUA administers its procurement program to achieve the following objectives:

- **Robust Competition and Market Research.** Robust competition and market research serve the public interest provide the preferred method of source selection. For contracts valued at more than \$7,500 and up to and including \$100,000, a minimum of three vendors are invited to participate in a competition. For contract requirements over \$100,000, ten or more vendors are invited to participate in a competition. The agency uses market research to identify potential vendors from whom to solicit competitive proposals, and to further assist the agency in requirements development, acquisition planning, and pricing strategies.
- **Best Value.** The NCUA makes awards based on the best value to the NCUA, taking advantage of the competitive marketplace, by balancing proposed solutions, price, and schedule, among other factors.
- **Fair Opportunities.** The NCUA works to ensure the inclusion of women and minority-owned businesses in the agency's contracting opportunities to the maximum extent possible, as required by law. Specifically, the NCUA provides minority and women-owned businesses with fair opportunities to participate in the NCUA's bidding process by ensuring that they comprise one-third of the vendors invited to participate in each competition.

In April 2017, the NCUA updated its Acquisition Policy Manual that governs the relationship with its contractors and establishes internal guiding principle for NCUA procurements. Extensive procurement training initiatives will improve the NCUA staff knowledge related to procurement policy changes, acquisition planning, requirements development, and contract management.

NCUA implemented a new procurement system called PRISM in January 2017 that integrates with the current Delphi financial management system hosted by the U.S Department of Transportation Enterprise Service Center, a federal shared-service provider. Collectively, these policy enhancements and system improvements positively affect internal controls, acquisition planning, and contract management, leading to improved contractor and program performance outcomes.

## Prioritizing Information Technology Expenditures Fact Sheet

As part of an effort to ensure effective and efficient use of information technology, in January 2013, the National Credit Union Administration Board Chairman created the NCUA Information Technology Prioritization Council. The purpose of the council is to set the strategic direction for information technology by prioritizing projects and better aligning IT investments with the NCUA's mission and strategic plan.

The council fosters collaboration and accountability in the selection and prioritization of the NCUA's application development efforts. The council is the official governing body for prioritizing and recommending to the NCUA Board all software projects for investments and for ensuring those investments align with the NCUA's mission and strategic plan.

### *Functioning of the Information Technology Prioritization Council*

The NCUA ITPC is comprised of the following members:

- Deputy Executive Director (Council Chair)
- Chief Information Officer (Council Co-Chair)
- Chief Financial Officer
- Director, Office of Examination and Insurance
- Central Office Director (rotating)
- Regional Director (rotating)
- Regional Director (rotating)

The council meets at least quarterly to conduct its work. The council evaluates each proposed IT project against a series of prioritization standards. Projects that are designed to meet statutory or regulatory requirements receive top priority.

Information technology projects recommended by the council form proposals for consideration in the NCUA's Operating Budget and Capital Budget. All proposals recommended by the council are subject to consideration and approval by the NCUA Board prior to initiation of the project.

The ITPC's latest meeting was in August of 2017 to review and prioritize the investments that support the NCUA's current enterprise solution modernization program. A briefing was provided to the Board in June of 2017 to provide a comprehensive program update of the ESM progress and future expectations.

## Mid-Session Budget Review Process Fact Sheet

Each spring, under the leadership of the NCUA Chief Financial Officer, the NCUA re-evaluates budget estimates for each agency office and region. All budget activities are reviewed during this process and compared with most recent actual spending to ensure resources are allocated efficiently to adequately support priority needs.

After receiving the requested budget adjustments for each NCUA office, the Chief Financial Officer analyzes all requests and conducts in-person re-evaluations as necessary to ensure material changes are assessed thoroughly.

During the mid-session budget review process, the Executive Director and Chief Financial Officer brief the Chairman and each Board Member on the requested budget adjustments. Analytical and summary information are prepared to compare prior year spending and to highlight material increases or decreases to major budget line items.

All five NCUA budget categories are re-evaluated during the mid-session review to present a revised budget estimate:

- **Pay and Benefits** funding is managed centrally and re-estimated based on recent year-to-date spending and projected hiring to meet requirements for all examination and support program staff.
- **Travel** requirements for all examination program staff are reassessed and supported with workload analysis, meetings, and required training plans.
- **Rent, Communications and Utilities** expenses are reviewed for valid operational recurring requirements and year-to-date spending to ensure accurate forecasting.
- **Administrative** expenses are reviewed and current estimates are compared to historical spending and year-to-date spending.
- **Contracted Services** expenses, which include a variety of projects, are assessed based on priorities as determined by statutory requirements and the agency's strategic plan. Project reviews are also conducted to ensure plans remain consistent with the goals and objectives in the Strategic Plan. In addition, contract spending associated with software development is prioritized by the NCUA's Information Technology Prioritization Council.

The **Capital Budget** is also re-assessed to ensure there are sufficient resources to cover existing projects. Any new, critical requirements that require funding may be identified and included as part of the mid-session adjustment. The agency cash position is also re-evaluated during mid-session to ensure sufficient resources are available to cover all requirements through at least April of the following year when annual operating fees are collected. Cash is monitored on a monthly basis, and the NCUA Board is briefed on any credit adjustment applicable to the operating fee schedule.

## Appendix C: Capital Project Summaries

CAPITAL PROJECT: Business Intelligence Tools and Capability Enhancement
<p><b>Project name:</b> Office of National Examination and Supervision (ONES) Business Intelligence (BI) Capability Enhancement and Data Structure is currently referred to as the <u>ONES Loan Portfolio Analysis Tool</u>.</p>
<p><b>Strategic goal and objective link:</b></p> <p><i>Goal 1: Ensure a Safe and Sound Credit Union System.</i></p> <p style="padding-left: 40px;"><i>1.2 Provide high-quality and efficient supervision.</i></p> <p><i>Goal 3: Maximize organizational performance to enable mission success.</i></p> <p style="padding-left: 40px;"><i>3.2 Deliver an efficient organizational design supported by improved business processes and innovation.</i></p>
<p><b>Performance metrics:</b></p> <p>Expansion of ONES BI tools and data analytics to strengthen reporting services and risk monitoring.</p>
<p><b>Project description, scope, and key deliverable:</b></p> <p>The purpose of this project is the collection, centralization, organization and storage of ONES data so that analysis is more accurate and efficient. This accessibility will combine with BI tools to improve ONES’s overall reporting and data analysis capabilities.</p> <p>The primary goal for this project is an organized and governed data warehouse that hosts clean and accurate data from legacy, enhanced and new systems in a manner that allows for timely, distributed reporting (BI tools) and can adapt to fluctuating market conditions. In support of this objective, project deliverables anticipated for 2018 include:</p> <ul style="list-style-type: none"> <li>• Continued refinement and buildout of the BI data warehouse architecture;</li> <li>• Continued enhancements and buildout of the BI data warehouse environment;</li> <li>• Continued refinement and new reporting functionality; and</li> <li>• Continued refinement and new dashboards.</li> </ul>
<p><b>Project timeline and schedule:</b></p> <p>The pilot created in 2017 began to address the initial backlog of reporting and dashboard needs (e.g. ONES Loan Portfolio Analysis Tool). The continued buildout of the data warehouse will allow the ONES team to enhance management reporting and support the ability of the National Lending Specialists (NLS) to prepare for and conduct risk-based credit union examinations. These new functions will improve management’s supervision of ONES activities as well as the NLS’s ability to prepare in advance for exams and quickly identify areas of risk. In 2018, the ONES Loan Portfolio Analysis Tool will become fully operational with continued improvements to include performance.</p>

<b>Budget (\$ thousands)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$1,920</b>	<b>\$1,920</b>			
Future year operations and maintenance:			<b>\$1,375</b>	<b>\$1,375</b>	<b>\$1,375</b>
<b>Business value and risk management:</b>					
Initially, the ability to deliver accurate and timely reports for the ONES team is one of the key benefits of BI Data Reporting and Warehousing. This will allow the team to implement Data Driven Supervision which will improve overall understanding of material risks, regular and ad-hoc sensitivity testing, reverse stress testing, and focused risk testing.					
<b>Benchmark and peer comparison:</b>					
The NCUA plans to communicate with financial regulatory agencies and leverage lessons learned from these agencies as well as industry.					
<b>Results and technical benefits:</b>					
The results of this effort will be the ability to quickly create reports that are accurate and to pass the report generation onto end users, via reporting tools. The combination of these two benefits will lead to better analysis of trends and the ability to evaluate larger more complicated data. In addition, by establishing a warehouse for reporting and analytics, the ONES' team will be able to view and analyze data more efficiently.					

**CAPITAL PROJECT: AMAC Servicing System Solution**

**Project name:** AMAC Legacy System Enhancements and Servicing Solution  
Stabilize/Upgrade AFTECH project is also currently referred to as AMAC Core Processor Replacement.

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.1 Maintain a strong Share Insurance Fund.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

*3.3 Ensure sound corporate governance.*

**Performance metric:**

Successful completion of Phase I and Phase II of the project within planned budget and schedule.

**Project description, scope, and key deliverable:**

The purpose of this project is to enhance a number of AMAC legacy systems and to replace aging AMAC systems with modern servicing, document management, customer relationship management (CRM), case management, business intelligence (BI) and analytics capabilities. AMAC conducts credit union liquidations and performs management and recovery of assets. Using a phased approach, the NCUA plans to research and procure solutions to replace the current set of systems that support AMAC.

The initial scope of the project entails identifying, acquiring, and implementing replacement solutions for AMAC’s aging core data processor and its out-of-support content management system. In addition, enhancements will be introduced to the other legacy AMAC core business systems.

The key project deliverables are the acquisition and deployment of a replacement core processing system and an enhanced content management system.

**Project timeline and schedule:**

The key project milestones are as follows:

- 2017 – Phase I: Requirements capture, market research, and acquisition packages.
- 2018/2019 – Phase II: Contract awards for the replacement core processor, enhanced content management system, and implementation vendors. This will be followed by implementation, data migration, testing and production deployment of the replacement core processor and content management systems.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$2,100</b>	<b>\$600</b>	<b>\$600</b>		
Future year operations and maintenance:				<b>\$170</b>	<b>\$170</b>
<b>Business value and risk management:</b>					
<p>The AMAC Core Processor Replacement project will provide the following business benefits/risk management:</p> <ul style="list-style-type: none"> <li>• Address operational risks posed by an aging, core processing system.</li> </ul> <p>A more modern, vendor-supported core processing system will enable AMAC to perform its loan and member servicing duties more effectively, while continuing to fulfill its regulatory reporting responsibilities.</p>					
<b>Benchmark and peer comparison:</b>					
<p>The NCUA is actively researching current credit union industry trends, technologies, and available core processing systems that not only meet AMAC’s business requirements, but also can be acquired and deployed within the aforementioned timeframe.</p>					
<b>Results and technical benefits:</b>					
<p>AMAC assists the NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. It also participates extensively in the operational phases of conservatorships and records reconstruction. The purpose of AMAC is to minimize costs to the Share Insurance Fund and credit union members.</p>					

**CAPITAL PROJECT: Enterprise Data Analytics, Governance and Reporting Services**

**Project name:** Enterprise Data Analytics, Governance and Reporting Services is currently referred to as the Data Strategy and Framework Initiative

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

*3.3 Ensure sound corporate governance.*

**Performance metric:**

- Establish a data governance program comprised of policy, a central data governing body, and a data steward teams.
- Educate staff on roles and responsibilities of the central data governing body and data steward teams.
- Detail strategies for analytic data and legacy data.

**Project description, scope, and key deliverable:**

The purpose of this project is the centralization, organization and storage of the NCUA data so analysis is more accurate, simple and easily distributed across the agency. This increased accessibility will combine with analytic tools to improve the NCUA’s overall reporting and data analysis capabilities.

The scope of this effort includes the existing (legacy) data supporting our current systems as well as the new or enhanced data associated with current and upcoming IT initiatives (e.g., Enterprise Solutions Modernization).

The primary goal for this project is to organize and govern data including clean and accurate data from legacy, enhanced, and new systems. This data will allow for timely, distributed reporting (BI tools) and can adapt to fluctuating market conditions. Deliverables for 2018 in support of this objective include:

- Training for members of the central data governing body and data steward teams;
- Definition of data domains beyond examination related data;
- Preparation of consistent data governance;
- Enterprise data analytic strategy; and
- Strategy for legacy data integration with new solutions.

**Project timeline and schedule\*:**

In 2017, OCIO and OED completed a sixteen week study to identify data challenges and specify recommendations for the NCUA to manage data as an enterprise asset. In Phase I, the initiative will implement a subset of recommendations approved by the ITPC in July 2017. By

the end of the year, the initiative will produce a draft instruction to launch a Data Governance program with a central governing body. The initiative will propose exam data domains with two domains undergoing a data discovery process. The initiative will also prepare an analytic data strategy.

Once the central data governing body is launched in 2018, the initiative will educate participants on their expected roles and responsibilities to adopt data governance in their operational tasks. The initiative will also expand to identify other data domain groups (i.e., administrative) and underlying data domains. The initiative will continue to work on strategies for analytic data and legacy data and provide ongoing support to the data governance bodies as they grapple with the prioritization of data domains and overall agency data management.

<b>Budget (\$ thousands)*</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$600</b>	<b>\$600</b>			
Future year operations and maintenance:			<b>\$150</b>	<b>\$150</b>	<b>\$150</b>

**Note:** \*Costs are estimates and subject to change. The cost of implementing the entire Data Management Program is not reflected in the above table.

**Business value and risk management:**

Accurate, clean, and accessible data where there is a clear understanding of the authoritative source mitigates many of the risks facing the current data environment.

**Benchmark and peer comparison:**

The initiative has stakeholders in OED, OCIO, and OGC that meet bi-weekly to confirm project approaches meet the diverse business needs across the agency.

**Results and technical benefits:** The results of this effort will be the ability to create more accurate reports over time and to pass the report generation on to end users via reporting tools. This project will result in one authoritative source of data and the source will be understood. The combination of these two benefits will lead to better analysis of trends and more efficient exploration within the data. By establishing a central repository for reporting purposes, the current systems will not be burdened by report generation.

**CAPITAL PROJECT: Assets and Liabilities Management Application**

**Project name:** Asset & Liabilities Management (ALM) Application, Vendor Asset & Liability Behavioral Models and Hosting is currently referred to as ONES Data Driven Supervision (DDS).

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.1 Maintain a strong Share Insurance Fund.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metrics:**

The Office of National Examination and Supervision (ONES) team will perform internal stress testing and capital planning analysis by 2021 without utilizing any external services or resources.

**Project description, scope, and key deliverable:**

This effort will allow the NCUA ONES to build internal capabilities to conduct analytics and run stress testing. This will include incorporating off-the-shelf tools commonly used in risk management. In addition, this effort will allow the NCUA to reduce contractor support to only consultation. This effort will deliver a complete solution that will focus on modernizing the NCUA’s Supervision tools, identifying the material risks, tailoring resources to the risks and virtual exams.

**Project timeline and schedule:**

This effort will require a new acquisition to procure software tools and infrastructure to support the ONES internal Data Analytics and Stress Testing Capability. Work will continue based upon research, requirements and industry understanding that have already been developed by ONES. In addition to this procurement, ONES will need to hire government full-time staff to perform the modeling.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$433</b>	<b>\$3,167</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>
Future year operations and maintenance:					

**Business value and risk management:**

The ONES teams anticipates the following business values being obtained over the next five years:

- Heightened understanding of material risks (regular and ad-hoc sensitivity testing, reverse stress testing, focused risk testing)
- Ability to assess aggregate risk to the Share Insurance Fund
- Ability to analyze impact of policy developments (i.e., FASB’s (CECL))
- Support analytical risk assessments for non-ONES credit unions
- Facilitate industry-wide research on products, business strategies, and regions to reveal emerging risks

**Benchmark and peer comparison:**

ONES plans to validate its internal stress testing methodology with a third-party vendor.

**Results and technical benefits:**

The results of this effort will be to enhance data-driven supervision and to eliminate reliance on a third-party vendor to perform annual stress testing. The expectation is to reduce associated costs and better understand the data and methodology with the stress testing. Furthermore, data-driven supervision is anticipated to reduce travel time to identify risks ahead of a field visit.

**CAPITAL PROJECT: Human Resource Business Solution**

**Project name:** Migrate to New Line of Business HR System – Program Management Support is currently referred to as HR IT Transition to Transformation (HRT2T)

**Strategic goal and objective link:**

*Goal: 3: Maximize organizational performance to enable mission success.*

*3.1 Attract, engage and retain a highly-skilled, diverse workforce and cultivate an inclusive environment.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:**

Integrate and rollout General Service Administration’s (GSA’s) replacement to the Comprehensive Human Resources Integrated System (CHRIS) and the Electronic Time and Attendance System (ETAMS). GSA is migrating to externally-hosted human resources (HR) and Time and Attendance (T&A) systems, which are OPM- and OMB-approved private Shared Service Center contractor-managed shared services solutions. This will integrate with the current GSA Payroll Accounting and Reporting System (PAR).

**Project description, scope, and key deliverable:**

The purpose of this GSA-driven Line of Business Transition project is to replace the NCUA’s existing HR system, CHRIS, and the T&A system, ETAMS, with externally-hosted HR and T&A systems. CHRIS is an automated tool used by HR professionals to document employment (i.e., changes in salary, position, benefits, etc.), which in turn creates a comprehensive employment history. The Electronic Time and Attendance System (ETAMS), is a GSA-developed T&A system. Employees enter T&A data into ETAMS, and then ETAMS then submits the data to the Payroll Accounting and Reporting (PAR) system electronically. GSA performs the necessary operational reviews of the employee pay and leave information for the current pay period and initiates the final payroll calculation process for that pay period.

This project is scheduled to be completed in 2018. Although GSA should support most transition costs, there will be associated costs related to support for the effort. For example, the NCUA may have specific requirements resulting in additional configuration, customizations and other activities that need to take place prior to transition. Once the HR and T&A system migration and payroll integration are complete, GSA will begin an upgrade to a new payroll system and integrate it with the new HR and T&A systems and any other required systems.

The scope of the project is replacement of the NCUA’s current CHRIS, to include T&A and the integration to the PAR system.

The key deliverables will be the integration and rollout of the externally-hosted HR and T&A systems.

**Project timeline and schedule\*:**

The integration of externally hosted HR and T&A systems is scheduled for May 2018.

**Note:** \*Milestones are estimates and subject to change.

Budget (\$ thousands)**	2018	2019	2020	2021	2022
Acquisition cost:	\$350				
Future year operations and maintenance:		\$327***			

**Note:** \*\*Costs are estimates and subject to change.

**Note:** \*\*\*Costs are estimates. The remainder of the 2018 operations and maintenance (O&M) costs will be in OCFO and OHR budgets, and will continue in future years.

**Business value and risk management:**

By adopting externally-hosted HR and T&A systems, the NCUA will benefit both from the efficiencies gained through outsourcing a shared solution as well as the automation of additional routine HR tasks and the time and attendance functionality.

**Benchmark and peer comparison:**

A key driver behind the NCUA’s decision to adopt externally-hosted HR and T&A systems is because many Federal agencies, the NCUA’s peers, are planning to adopt the new system.

**Results and technical benefits:**

With the integration and rollout of the externally-hosted HR and T&A systems, the NCUA anticipates that it will be able to more efficiently operate and maintain its HR system. Additionally, by providing expanded online, self-service, and T&A for employees, both HR staff and employees will save time on managing day-to-day administrative tasks.

By sharing with other federal agencies in the cost to operate and maintain externally hosted HR and T&A systems, the NCUA anticipates a lower total cost of ownership over managing its own HR and T&A systems.

**CAPITAL PROJECT: Enterprise Learning Management System Replacement**

**Project name:** Learning Management System (LMS) Replacement – Program Management Support

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success.*

*3.1 Attract, engage and retain a highly-skilled, diverse workforce and cultivate an inclusive environment.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:**

Conduct market research, initiate acquisition, create a project management plan, and execute production implementation of the new Learning Management System (LMS) by the end of calendar year 2018.

**Project description, scope, and key deliverable:**

The Learn Center is a Learning Management System (LMS) that serves as the NCUA’s primary system for hosting and delivering eLearning courses to its employees. The Learn Center is currently nine years old and as such is restricted in its content delivery and management capabilities. Given the increase of eLearning courses being developed and purchased for deployment, the increase in regulatory training and reporting requirements, there is a growing need for users to have mobile access to training content. The NCUA must acquire and implement a next generation LMS to meet its expanding training requirements.

**Key deliverable:** The acquisition and implementation of a cost-effective, cloud-based solution that provides the NCUA with the full-range of eLearning functionality associated with a modern LMS.

**Project timeline and schedule:**

The key 2017/2018 project milestones are as follows:

- Requirements capture, market research, and solicitation package.
- Contract award for new LMS and implementing vendor.
- Implementation, testing and production deployment of the new LMS solution.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	\$250	\$350			
Future year operations and maintenance:			\$112	\$112	\$112

**Business value and risk management:**

By selecting a modern, feature-rich LMS, the NCUA will be able to provide its employees with required training more efficiently, increase users' self-service options, and allow administrators to manage the system and course content more easily.

**System security risk reduction:** Security risk lessened with single-sign-on and username/password capabilities for internal and state users.

**Information security enhancement:** Integration of LMS with Active Directory to communicate contractor/state examiner information to ensure users who are inactive are not in the LMS.

**Benchmark and peer comparison:**

As a part of this initiative, the NCUA will actively research industry trends, technologies, and the available LMS solutions. In addition, the NCUA will consult with other federal agencies who have recently modernized or are planning to replace their LMS solutions to leverage their experiences and lessons learned.

**Results and technical benefits:**

Enhanced examiner utilization and accessibility driven by quality content, ease of use and system reliability.

Role-based interface: ability to view personalized pages by role (course administrator, manager, user, etc.).

- Supervisors can more easily view or manage employee learning; and
- Page views can be adapted to benefit the learner category (i.e. CORE/SME training track)

Automated IDP and SME training tracks: clearly defined training plans significantly streamlined review process.

Centralized content: course resources to include podcasts, recorded webinars and job aids.

Mobile functionality: for iPhone/tablet to access courses and learning history.

Federal reporting mandates: Adherence to federally-mandated reporting requirements.

- OPM requirement: requirement to track and report mission-specific training; and
- Enterprise Human Resources Information (EHRI): Integration of LMS with CHRIS to communicate data such as OPM's EHRI and employee information,

Records management adherence:

- Government Form SF-182 to request external training;
- Enrollment rosters could be deleted; and
- Continuing Professional Education data could be captured appropriately

**CAPITAL PROJECT: Enterprise Laptop Refresh**

**Project name:** Enterprise Laptop Refresh

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:** Acquire the goods and services required to provide new laptops to all appropriate NCUA stakeholders before the end of May 2018.

**Project description, scope, and key deliverable:**

The NCUA’s current workstations are all nearing the end of a three-year leasing agreement. In addition, these machines run on the Windows 7 operating system (OS), which goes out-of-support in early 2020. Consequently, the NCUA needs to replace its entire fleet of aging laptops with modern devices that run on the Windows 10 OS. The updated workstations and OS will provide staff with new functionality and improved security features.

The project scope includes: (1) the selection of new, standard laptop configurations; (2) image and compatibility testing; (3) device acquisition; and (4) the managed deployment of the new devices to end users. All stakeholders who use the NCUA-provided and supported laptops to perform their work will receive the new laptops.

The key deliverable will be upgraded laptops to all authorized recipients.

**Project timeline and schedule:**

The key 2017 to mid-2018 project milestones are as follows:

- Requirements capture; market research; and an acquisition package.
- Contract award for new laptops and integration vendor.
- Image and compatibility testing; and new laptops to end users.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$1,850</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$2,035</b>	<b>\$1,100</b>
Future year operations and maintenance:					

Note: The laptop refresh budget above assumes the devices will be acquired by way of a 3-year lease. Consequently, the refresh cycle is anticipated to begin again in 2021.

**Business value and risk management:**

By replacing its aging workstations that run on an eight-year-old OS with new laptops that leverage improved hardware specifications and that run on the Windows 10 OS, the NCUA will enhance user productivity by way of improved boot and wake speeds and by increased mobile functionality. The updated workstations will lower IT administrative costs due to a decreased need for Service Desk support services.

Previous studies demonstrated that the NCUA would likely reap a cost and performance benefit by leasing laptops instead of buying them. By including hardware and OS support into the lease agreement contract, and following a three-year replacement lifecycle, the NCUA will be able to keep pace with changes in workstation and OS technology in a cost effective manner.

**Benchmark and peer comparison:**

The NCUA business requirements will be compared to device performance benchmarks to determine the necessary standard workstation configurations. The NCUA will follow the Office of Management and Budget's (OMB's) Category Management Policy guidance pertaining to the acquisition of desktops and laptops as applicable.

**Results and technical benefits:**

The overarching benefit of the Enterprise Laptop Refresh project is that it will provide the NCUA stakeholders with a more efficient, mobile friendly, and secure tool to help them better perform their jobs at a reasonable cost.

**CAPITAL PROJECT: Information Technology Infrastructure, Platform and Security Refresh**

**Project name:** Information Technology (IT) Infrastructure, Platform and Security Refresh

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

*3.3 Ensure sound corporate governance.*

**Performance metric:**

Achieve Maturity Level III by December 2018 in accordance with the Federal Cyber Security Framework (Identify, Protect, Detect, Recover and Respond). Achieve the corresponding maturity level for IT Operations as defined by the Carnegie Mellon Software Engineering Institute (SEI) Resilience Management Model (RMM).

**Project description, scope, and key deliverable:**

OCIO will refresh and/or replace the following Infrastructure, Platform and Security technology to achieve the cited performance metrics:

- a. **Infrastructure and Platform** with an emphasis on Co-Location (COLO) and Regional routers, switches, virtual servers, wireless, virtual privacy network end-of-life and end-of-service components;
- b. **Voice over Internet Protocol (VoIP)** to replace the end-of-life infrastructure, platform and endpoints fully to ensure voice communications capabilities via the a FedRAMP'd cloud solution;
- c. **Disaster Recovery** infrastructure and platform to align with the COLO for continuity of operations and backup and recovery capabilities for Mission Essential Function (MEF) and Essential Supporting Activity (ESA) resilience and security;
- d. **(2019) Security Event and Incident Management (SEIM)** to optimize event collection, monitoring and response capabilities for InfoSec and IT Operations; and
- e. **(2019) Patch & Vulnerability Management** upgrade to adhere to the DHS Continuous Diagnostics and Mitigation (CDM) Federal requirements for effective IT Service Management.

**Project timeline and schedule:**

Quarter 2 2018 – Infrastructure and Platform COLO/Regions

Quarter 3 2018 – Voice over Internet Protocol (Backend Quarter 2 2018)

Quarter 3 2018 – Disaster Recovery

Quarter 1 2019 – Security Event and Incident Management (SEIM)

Quarter 1 2019 – Patch & Vulnerability Management



Budget (\$ thousands):	2018	2019	2020	2021	2022
Acquisition cost:	\$3,700	\$1,700	\$1,700		
Future year operations and maintenance:		\$720	\$780	\$1,280	\$1,280
<b>Business value and risk management:</b> The collective Infrastructure, Platform and Security Infrastructure Project ensures that the previously deferred risks are being addressed prior to system failure. This equates to the value of ensuring our business continuity as identified MEFs and ESAs rely heavily on the availability and stability of these underlined systems.					
<b>Benchmark and peer comparison:</b> The NCUA has baselined its Information Security and Information Technology Operations environment leveraging both the NIST Baldrige Assessment and the SEI RMM. We have also benchmarked against other financial regulatory agencies via the OMB/DHS Risk Assessment in response to the President’s Executive Order for Cybersecurity.					
<b>Results and technical benefits:</b> Establish the convergence of operational risk and resilience management via operational and technical controls/solutions that ensure business continuity. In addition to ensuring the existing business continuity, these activities ensure the appropriate preparation for future modernization and organizational changes.					

**CAPITAL PROJECT: Agency Modernization Infrastructure Support**

**Project name:** Agency Realignment – Application/Website, Infrastructure, Network, Administration Changes and Program Management Support

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:**

Successful modifications to and uninterrupted operation of affected applications and databases (e.g. CUOnline, AIRES, CUSO Registry, SharePoint, SSRS Reports, MIS, etc.)

**Project description, scope, and key deliverable:**

The purpose of this project is to modify the NCUA’s systems and websites to support the NCUA Reorganization and Modernization Plan released on July 29, 2017. This plan includes consolidation of the NCUA Central Offices and Regions, which will require modifications to:

- Business Systems – Applications and associated databases must be updated to support the new agency structure, while allowing for historical reporting based on the old structure.
- Agency Websites – The primary public website (NCUA.gov) and Intranet websites (NCUA Central) must be updated to support and reflect the new agency structure.
- Logical and Physical Provisioning – Access, ports, etc.
- IT Infrastructure and Platforms - Equipment must be removed, repurposed, or decommissioned.

The key deliverable is the production rollout of the modified systems, databases, websites, access points and ports. This includes removed, repurposed and decommissioned IT infrastructure and ports.

To provide overall management of the year-long effort, this project requires a dedicated project manager.

**Project timeline and schedule:** The current target implementation of the modifications associated with the Central Office realignment is Q1 2018. The current target timeline for the implementation associated with the Regional Office realignment is Q1 2019. Final implementation schedules are dependent on Central Office and Regional Office realignment business requirements.

Budget (\$ thousands):	2018	2019	2020	2021	2022
Acquisition cost:	\$1,250				
Applications & Databases - \$500K					
Infrastructure, Platforms & Provisioning - \$500K					
Project Management - \$250K					
Future year operations and maintenance:		\$0	\$0	\$0	\$0
<p><b>Business value and risk management:</b> This investment will support the NCUA’s efforts to achieve greater efficiency, responsiveness and cost-effectiveness through the consolidation of offices and restructuring of staff. By modifying the systems, sites and infrastructure that the NCUA relies on in support of the realignment, this investment will enable the NCUA to realize the efficiencies promised by the NCUA Reorganization and Modernization Plan.</p> <p>The seamless implementation of the modifications to the NCUA’s systems will reduce the risk to the NCUA’s day-to-day operations. Project risks will be managed primarily through intensive user acceptance testing through which Central Office and Regional users will validate the changes made to the systems and sites.</p>					
<p><b>Benchmark and peer comparison:</b> Not Applicable</p>					
<p><b>Results and technical benefits:</b></p> <p>With the production rollout of the modified systems, sites and infrastructure, the agency will continue to operate without interruption. Accordingly, the NCUA will be able to realize the cost savings and efficiencies from the organizational realignment. Additionally, effected equipment will be appropriately removed, repurposed and decommissioned to ensure security of the NCUA information.</p>					

**CAPITAL PROJECT DETAIL – Agency Web Design and Platform Modernization**

**Project name:** NCUA.gov Re-Design and Platform Modernization

**Strategic goal and objective link:**

*Goal 1: Ensure a safe and sound credit union system.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access.*

*2.1 Deliver an effective and transparent regulatory framework.*

*2.2 Enforce federal consumer financial protection laws and regulations in federal credit unions.*

*2.3 Facilitate access to federally-insured credit union financial services.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:** Production rollout of a redesigned and externally hosted NCUA.gov with improved usability, searchability and modern design by implementing a new content management system and new features.

**Project description, scope, and key deliverable:**

The primary goal of the NCUA.gov redesign project is to develop a more intuitive, functional and modern agency website, which will enhance the NCUA’s ability to communicate with its stakeholders and execute its mission. Additionally, this project seeks to improve the efficiency with which it manages its web assets by implementing a new content management system and off-site hosting. The key elements and associated deliverables of this project are:

- Stakeholder sessions and surveys
- Analytics driven recommendations
- User interface (UI) design and web design guidelines
- Revised information architecture
- New search capability
- Interactive features (e.g. Emergency alert)
- New content management system and associated training
- Off-site hosting
- Plan for future updates and improvements

Project management and change management support will be required to coordinate the development and delivery of the site and to prepare and train stakeholders on the new site and content management system. It is anticipated that the existing content on NCUA.gov will largely be copied to the new site and creation of new content will be limited.

**Project timeline and schedule:**

The target production rollout of the redesigned NCUA.gov site on a new content management system is Q4 2018.

Budget (\$ thousands):	2018	2019	2020	2021	2022
Acquisition cost:	\$1,200				
Future year operations and maintenance:		\$240	\$240	\$240	\$240

2018 acquisition cost assumes the transition to a modern content management system and is based upon known requirements and current priorities.

**Business value and risk management:**

The NCUA relies on NCUA.gov as one of its primary communication channels with credit unions, industry, other government agencies, and the public. Making content easier to find will improve the NCUA’s ability to execute its mission. Not only do 3<sup>rd</sup> parties rely on NCUA.gov, but the NCUA employees depend heavily on NCUA.gov for the latest information on topics from regulatory announcements to Board decisions. Additionally, as the website reflects the NCUA’s brand, this project will help the NCUA operate effectively among its stakeholder community. The implementation of a more modern content management system that is optimized for public-facing websites will enable the NCUA to develop new content (in particular mobile content) and maintain its sites more cost effectively . The NCUA will benefit from native search engine optimization (SEO), improved workflow support, and support of emerging technologies for the web. Through off-site hosting, the NCUA will be able to take advantage of the economies and improved uptime / performance that off-site hosting provides. The NCUA will benefit from specialized support staff with expertise for public-facing websites, protection from online vulnerabilities and hacker activity, reduce risk/liability to , less compliance and administration overhead, and 24/7 on-call support by top experts in the field. Moving the public websites to a hosting provider will resolve workload requirements and will provide improved website hosting arrangements and services. Furthermore, it will permit the NCUA’s IT staff to focus on primary mission responsibilities and increase efficiency.

**Benchmark and peer comparison:**

The NCUA is actively assessing the website design, management and hosting approaches used by partner FIRREA agencies and will use insights and lessons learned from these agencies to influence the NCUA.gov redesign. For example, the NCUA has learned the federal agencies are increasingly moving to content management systems designed specifically for public-facing websites vs. content management systems that serve both intranet and internet sites.

**Results and technical benefits:**

The NCUA anticipates rolling out the redesigned NCUA.gov site on a new content management system in an off-site hosting environment. The NCUA expects greater efficiency with development of new content and management of its sites. Additionally, the agency forecasts that off-site hosting will improve uptime, performance and security.



**CAPITAL PROJECT: Home Mortgage Disclosure Act (HMDA) System Development**

**Project name:** Home Mortgage Disclosure Act System Development (HMDA) cost sharing

**Strategic goal and objective link:**

*Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access.*

*2.2 Enforce federal consumer financial protection laws and regulations in federal credit unions.*

**Performance metric:** Ensure consistency with other regulators in enforcing HMDA compliance to safeguard member interests. Use data from the system to detect trends and increase guidance to the credit union system to improve compliance with consumer protection laws.

**Project description, scope, and key deliverable:** HMDA requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity, report the data annually to the government, and make the data publicly available. The NCUA enforces compliance with HMDA requirements in all federally insured credit unions. Historically, the NCUA, as a Federal Financial Institutions Examination Council (FFIEC) member agency, has contributed to the costs of HMDA data collection and processing.

The HMDA operations were moved from the Federal Reserve Board to the Consumer Financial Protection Bureau (CFPB) to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). Implementation of the DFA changes to HMDA, including additional data element requirements, provide an opportunity to streamline and modernize the HMDA data collection and processing system. The goal of the new system is to allow for more efficient submissions by reporting financial institutions, processing for FFIEC member agencies and HUD, and quicker release of the data.

**Project timeline and schedule:** The project is expected to be completed and implemented in 2018. Operations and maintenance (O&M) cost will be provided by CFPB.

Budgets (\$ thousands)	2018	2019	2020	2021	2022
Acquisition cost:	\$750	\$0	\$0	\$0	\$0
Future year operations and maintenance:					

**Business value and risk management:**

The system will be designed in a manner that makes best use of limited government funds and, where possible, leverages CFPB’s already developed capabilities. The CFPB is committed to protecting and ensuring the security of HMDA data. The CFPB’s information security practices will adhere to the requirements of the Federal Information Security Management Act

of 2002 (FISMA), based on guidance and standards provided by the National Institute of Standards and Technology (NIST).

The CFPB has carefully considered the potential risks for the HMDA system development and has proposed several mitigation factors so these risks never become issues. As is continues development on the HMDA collection, processing and reporting system, it will continuously assess, prioritize, monitor and control for risks and uncertainty with the success of the project.

**Benchmark and peer comparison:** The CFPB proposes an “even split” of the Capital budget among all of the FFIEC agencies and HUD, as this new system benefits all agencies, as well as their reporting institutions. The CFPB has a goal of maintaining the ongoing O&M budget constant upon transition to the Bureau.

**Results and technical benefits:** The system was tested with financial institutions and received several improvements over the current process. They gave the pilot a four out of five rating. Some of the enhanced features included a simple, online design; export feature to allow for machine readable reports, and an edit process prior to submission that eliminated back and forth or scanning/emailing.

Operational drivers include:

- 1) Cost avoidance: Develop ongoing staffing structure changes for more efficient data reporting, less manual processes, and improved compliance structures.
- 2) Productivity gains: Mitigate the manual burden of HMDA data collection and reporting and increase the efficiency of HMDA data collection, processing, and publication through automated, open systems.
- 3) Benefits to the public: improvements to timeliness, accuracy, utility and availability of data to allow for quicker and data-driven decision-making and reporting.

**CAPITAL PROJECT: Credit and Deposit Analytic Solution**

**Project name:** Credit and Deposit Analytic Solution (CDAS)

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.1 Maintain a strong Share Insurance Fund.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:**

Initiate acquisition and develop an actionable roadmap and plan for modernizing the NCUA’s examination system (i.e. AIRES).

**Project description, scope, and key deliverable:**

By modernizing the current systems (with AIRES replacement at the center), the ESS effort will place key examination and supervision capabilities into a streamlined toolset, allowing examiners and supervisors to be more efficient, consistent and effective. As part of replacing AIRES, the Enterprise Solution Modernization (ESM) team conducted market research to find a solution for a complete replacement of AIRES. Through market research, product demonstrations, and discussions with stakeholders, the ESM team determined the audit management solutions did not offer the required out of the box credit portfolio analytics. Therefore, in collaboration with the NCUA stakeholders, the ESM team decided to procure a service or solution, separate from the AIRES replacement acquisition, to replace and improve current analytic tools.

The Business Innovation team has defined “Credit and Deposit Analytics” as an entire suite of information and reports derived from member loan and share-level data provided by credit unions including:

- Portfolio segmentation, composition, and performance;
- Collateral valuation;
- Trends; and
- Data integration.

It includes shared services, desktop solutions, and cloud services (e.g., Software as a Service).

The key deliverable is to obtain a cost-effective, secure, and reliable credit and deposit analytic solution to enable the NCUA business units to identify financial, operational, credit, and strategic risks in credit unions and accomplish mission objectives.

**Project timeline and schedule\*:**

The key project milestones are as follows:

- 2017 – Release procurement package to industry and begin executing against the acquisition strategy.
- 2018 – Procure, configure and implement the analytic solution.

**Note:** \*Project timelines are estimates and subject to change.

Budget (\$ thousands)	2018	2019	2020	2021	2022
Acquisition Cost	\$250	TBD			
Future year operations and maintenance			TBD	TBD	TBD

**Business value and risk management:**

The NCUA plans to leverage the expertise and methodology of portfolio analytic experts to provide proven analytic capabilities resulting in critical examination information to assess risk in a credit union and to the National Credit Union Share Insurance Fund. Also essential is the ability to affect timely provisioning and delivery of these services to the individual end users within the NCUA organization.

The NCUA lacks a standard set of portfolio analysis reports from available data and a scalable, easy to use, analytic tool for all examiners. AIRES provides loan and share queries with limited custom query functions from individual share and loan lists. Due to these limitations, the NCUA examiners spend examination time running custom queries in other applications, creating pivot tables, and aggregating and analyzing raw data. In some cases, the volume of loan and share level data cannot be imported into AIRES due to the large file size and it can take substantial time for Microsoft Excel to perform pivot table functions. This solution will help eliminate examiner-developed spreadsheets and encourage consistency through the use of a standard method of assessing loan and share data across the NCUA examinations.

Additionally, the NCUA would like to integrate third-party data that is available from the contractor and/or the NCUA into the analytic solution for a more comprehensive analysis of risk and trends. This may include, but is not limited to, economic, credit bureau, credit union Call Report data, etc. The strategic plan and business imperatives, combined with technical obsolescence, system maintenance, and consolidation needs, serve as the guiding objectives for the project.

**Benchmark and peer comparison:**

As part of this initiative, the NCUA is actively communicating with financial regulatory agencies and conducting market research (including a Request for Information of the Federal Business Opportunities website) with potential vendors.

**Results and technical benefits:**

As the existing systems are replaced by the new system, technical benefits will be realized and reported. The NCUA envisions users utilizing the solution independently of our audit management solution to compile data, generate reports, and create custom queries. As more loan and share data is gathered from credit unions and the NCUA selects the AIRES replacement, ideally, CDAS would integrate with that platform and the reports could be viewed within our audit management solution.

It is envisioned that these services will capture the shared, on-demand capabilities evident in cloud technology. This technology enables on-demand network access to a shared pool of configurable computing resources (networks, servers, storage, applications, and services) and release with little management effort.

**NCUA CAPITAL PROJECT**

**Project name: Central Office Facilities – Heating, ventilating, and air conditioning (HVAC) Replacement**

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

- To maintain current facility infrastructure to include life cycle and replacement of critical components.
- To upgrade obsolete and outdated facility infrastructure.
- To install facility infrastructure that will meet all current codes for life safety, accessibility, security, and increased energy and operational efficiency.
- To introduce cost saving measures by designing and installing more energy efficient systems, while maintaining comfort standards

**Performance metric:**

Annual Energy cost reduction of at least 15 percent.

**Project description, scope, and key deliverable:**

Replace all HVAC systems in the central office. To include all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 24 years old, and obsolete; and some component parts are no longer available. In the last 23 years, technology and codes governing HVAC systems have dramatically changed; a modern reliable HVAC system will not only increase energy and operational efficiency; but will allow better comfort factors and more efficient temperature control. A new HVAC system will 1) be better for the environment, 2) reduce the NCUA downtime from emergency replacements, 3) maintain a more comfortable environment for facility users, 4) keep the RTU technologically current with more efficient units, and 5) keep up with the federal mandate for more environmentally friendly refrigerants.

**Project timeline and schedule: 16 months**

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	<b>\$650</b>				
Future year operations and maintenance:	--	--	--	--	--

**Business value and risk management:**

This is a capital improvement that is required in order for the facility to continue normal HVAC operation and it is associated with the life cycle replacement required for critical infrastructure. Due to the age of the equipment there are opportunities for significant gains to energy efficiency and reliability simply because of the technological advancements that have taken place since the original installation. Aging equipment is a large contributor to less sustainable facilities and higher operating cost. Modernized equipment will bring considerable savings and ensure another 15-20 years of high reliability HVAC operation.

The implementation of smart design practices in the office renovation will result in a more productive and sustainable office space. The incorporation of design principles that are specifically applied to enhance the productivity of employees and conservation of resources brings tremendous benefits and long term cost saving to the organization. Incorporating design methods that can be implemented to improve the performance and flexibility of office space dramatically in terms of space, energy consumption or the lifecycle of materials used, will provide a functional workplace that will meet the needs of employees for years to come without any unnecessary reconfigurations or modifications.

**Benchmark and peer comparison:**

The replacement will improve the building efficiency by an estimated 15 percent, which exceeds the 2011 Energy Code that mandates that for existing nonresidential buildings 10,000 square feet and larger. An energy efficiency audit has to be performed once every five years identifying specific cost-effective measures that would save energy and the reduction of energy consumption of five percent by the introduction of more efficient systems.

**Results and technical benefits:**

HVAC operating costs are estimated to be approximately 70 percent of the NCUA’s facility energy operating cost or approximately \$250,000 annually. New energy efficient HVAC equipment can represent up to 20 percent savings compared to old equipment. Not only are these savings represented on energy usage but also in comfort and temperature management, as equipment will operate for shorter periods of time to reach desired temperatures compared to the old equipment.

**NCUA CAPITAL PROJECT**

**Project name: Region IV/AMAC – Facilities Operations Contract**

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

- To maintain current facility infrastructure to include life cycle and replacement of critical components.
- To aid the upgrade of obsolete and outdated facility infrastructure.
- To aid the installation of facility infrastructure that will meet all current codes for life safety, accessibility, security, and increased energy and operational efficiency.
- To introduce cost saving measures by properly maintaining and operating all facility systems and functions.
- To improve services and lower costs in real estate operations, through a professional facilities management provider and improved care and maintenance of the NCUA facilities.
- To drive best practices that can reduce costs and improve service quality.

**Performance metric:**

Improve facility operations, while maintaining building value and preventing major system catastrophic failures. The specific performance metrics are:

- Schedule compliance of greater than 95 percent.
- Preventive maintenance (PM) compliance, greater than 99 percent.
- Percent planned work, 80 percent.
- Customer satisfaction, greater than 95 percent.
- Response time to trouble calls, 60 to 90 minutes.

**Project description, scope, and key deliverable:**

The contractor will provide a facility condition assessment to determine the remaining life span of the building components. Based on the assessment, a maintenance plan will be developed that will allow for the equipment to continue to operate and anticipate the replacement schedule for many of the outdated components.

**Project timeline and schedule:** Five years

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	\$100				
Future year operations and maintenance:		\$140	\$140	\$140	\$140

**Business value and risk management:**

This is a capital improvement that is required in order for the facility to continue normal operation, and it is directly associated with the life cycle replacement required for critical infrastructure. Due to the age of the facility, the building components are starting to show signs of aging and inefficient operation. There has never been a proactive maintenance and operations plan for the facility and this has resulted in outdated, obsolete and inefficient equipment. Aging equipment is a large contributor to less sustainable facilities and higher operating cost. Well maintained and modernized equipment will bring considerable savings.

**Benchmark and peer comparison:**

The central office facilities operation contract for approximately 180,000 GSF facility is approximately \$1 million per year. This facility is approximately 30,000 GSF and the anticipated cost is around \$100,000. The smaller facility does not have the complex and large industrial cooling equipment that is the main cost driver.

**Results and technical benefits:**

A well maintained facility will reduce the risk of unplanned cost for repairs and the down time it will take for the performance of these repairs. Additionally it will allow to plan for the replacement of major building components.

**CAPITAL PROJECT: Examination and Supervision Solution**

**Project name:** Automated Integrated Regulatory Examination System (AIRES) Redesign is currently referred to as the Examination and Supervision Solution (ESS) and Infrastructure Hosting (IH).

**Strategic goal and objective link:**

*Goal 1: Ensure a Safe and Sound Credit Union System.*

*1.1 Maintain a strong Share Insurance Fund.*

*1.2 Provide high-quality and efficient supervision.*

*Goal 3: Maximize organizational performance to enable mission success.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

*3.3 Ensure sound corporate governance.*

**Performance metric:**

Award the ESS & Infrastructure Hosting (ESS&IH) contract and approve a baseline schedule no later than 45 days after contract award.

The NCUA expects to leverage the contractor proposed specific measures that will be accepted as part of the Quality Assurance Surveillance Plan (QASP) upon award of the contract. Therefore, more specific metrics will be provided during the 2018 mid-year update for this effort.

**Project description, scope, and key deliverable:** The ESS effort will put access to the key examination and supervision capabilities into a streamlined toolset allowing Examiners and Supervisors to be more efficient, consistent and effective.

The overarching ESS project scope is to implement a new, flexible, technical foundation to serve as the environment for all current and future NCUA business process modernization initiatives, and replace the NCUA's legacy exam system, AIRES, with a new Commercial-Off-The-Shelf (COTS) solution. This project represents the first five iterations of the Enterprise Solutions Modernization (ESM) Program and the focus of the first ESM contract award. The other applications that are part of the overarching examination suite of legacy systems are Time Management System (TMS), Management Automated Resource System (MARS), and National Supervision Policy Manual (NSPM) tools. Replacement of these legacy systems will be included in future procurement efforts under the ESM Program.

Additionally, this project includes the implementation of a Central User Interface, which will enable the secure transfer of data between the NCUA and third parties.

The key deliverable is a new COTS examination solution to replace the legacy system, AIRES, deployment of a Central User Interface and establishment of the technical foundation.

**Project timeline and schedule:**

The key project milestones are as follows:

- 2018 – Award Contract; Establish Technical Foundation
- 2019 – Deploy Central User Interface; Deploy Examination & Supervision Solution for select user groups

**Note:** Project timelines are estimates and subject to change. This project receives multi-year funding; therefore, prior-year funding supports the contract to be awarded in 2018.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:	\$0	\$8,414			
Future year operations and maintenance:			\$4,500	\$4,500	\$87*

**Note:** This project receives multi-year funding; therefore, prior-year funding is available to support the contract to be awarded in 2018.

\* This amount may change, O&M for 2022 and beyond is being researched

**Business value and risk management:**

With this investment, the NCUA will be able to increase the productivity and quality of its credit union examination and supervision process, which are key mission activities. After careful review by the NCUA management, in consultation with independent contractors and vested stakeholders of the organizational and enterprise level needs of the agency, the project is well aligned with the agency’s strategic plan. The focus is on upgrading technology, systems and processes to improve the quality of examinations, while reducing the onsite burden on credit unions and improving the efficiency of the examination process.

The overarching key business value drivers are:

- Process Efficiency and Scalability – To enable the NCUA staff to effectively oversee all credit unions, from the smallest to the largest, with various types of examinations from a single platform;
- Process Flexibility and Adaptability – To adjust to new regulatory processes, demands, and priorities rapidly to an increasingly sophisticated credit union industry;
- Improved Analytics – To enhance the ability to identify and evaluate risk in credit unions effectively through deep, detailed, “vertical” and “horizontal” analysis of credit unions using various analytical techniques and tools;
- Robust and Flexible Data Collection – To securely collect and share financial and non-financial data with flexible workflows to automate manual processes and efficiently route work assignments; and,
- Risk-based Examination Approach – To focus examiner resources on credit unions and asset portfolios that pose the most risk to the credit union industry.

The strategic plan and business imperatives, combined with technical obsolescence, system maintenance and consolidation needs, serve as the guiding objectives for the ESS project.

**Benchmark and peer comparison:**

The NCUA initiated market research for ESS requirements in June 2015 and completed it in March 2017. A Market Research report was provided to the Office of the Chief Financial Officer (OCFO) as part of the procurement package submitted on May 19, 2017. Market research has revealed that COTS solutions and fifth generation tools are configurable and can meet at least 80 percent of ESS requirements. Hosted solutions offer scalability to rapidly respond to changes, such as storage or processing capacity. Many hosting facilities have robust security safeguards, controls, and measures in place to protect sensitive information. The ESS project team also worked with the Office of Minority and Women Inclusion (OMWI) to identify minority and/or woman-owned businesses capable of meeting the ESS requirements, which was included in the Market Research report.

Moreover, the ESS team conducted benchmarking sessions with select COTS customers and other Federal regulatory agencies to gather lessons learned. The team also met with two well-known private sector companies regarding their COTS implementation. This information was also included in the Market Research report.

As a part of this initiative, the NCUA continues to communicate with financial regulatory agencies which are or planning to modernize their examination systems.

**Results and technical benefits:**

As the existing systems are replaced by the new system, technical benefits will be realized and reported. The new integration platform will support the environment for all of the NCUA’s future ESM solutions, not just ESS. This technology will provide timely data synchronization and sharing with internal and cloud-based systems. The solution will leverage the NCUA’s identity and access management solutions to meet the agency’s mandate for multi-factor authentication. The infrastructure/platform solution selected for this procurement will facilitate the agency’s infrastructure vision including:

- Secure cloud infrastructure and platform services;
- Support for data integration across cloud and on-premises business applications and infrastructure services;
- Bi-directional, database synchronization between cloud and on-premises data repositories;
- Multi-factor authentication, provisioning and single sign-on, a self-service portal, and secure remote access; and
- Status monitoring and alerting.

**CAPITAL PROJECT: Enterprise Video Conference Collaboration Services and Upgrades**

**Project name:** Enterprise Video Conference & Collaboration Services and Conference Room Upgrades

**Strategic goal and objective link:**

*Goal 3: Maximize organizational performance to enable mission success.*

*3.1 Attract, engage and retain a highly-skilled, diverse workforce and cultivate an inclusive environment.*

*3.2 Deliver an efficient organizational design supported by improved business processes and innovation.*

**Performance metric:**

For the conference room equipment upgrade, performance will be monitored by tracking the incident tickets and the frequency of vendor intervention related to meeting support. A customer satisfaction survey should be used as well. The online collaboration will be measured both by the usage statistics for the NCUA-sanctioned and supported solution as well as the decreased use of current solutions that are not supported.

**Project description, scope, and key deliverable:**

This effort is to continue the analysis of alternatives initiated in 2017 and to formalize the output, such that a complete set of solutions can be implemented to upgrade conference collaboration tools (e.g. video conferencing). The upgraded services will also provide a standardized way to collaborate with the non-NCUA entities (e.g. web conferencing).

**Project timeline and schedule:**

The Analysis of Alternatives should be complete in 2018 allowing a complete project including timelines and costs to be presented for consideration in 2019.

<b>Budget (\$ thousands):</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Acquisition cost:		\$2,125			
Future year operations and maintenance:			\$531	\$531	\$531

**Business value and risk management:**

The technologies supporting the current conference rooms at the NCUA are outdated and in need of an upgrade. The costs associated with maintaining the current systems will increase over time and the value gained by using newer technologies will continue to be unrealized. In addition, there is an increased risk associated with the ad hoc purchase and use of collaboration tools. Both ease of support and economies of scale are foregone by not having a remotely accessible, enterprise-wide solution for collaboration and online conferencing.

**Benchmark and peer comparison:**

OCIO will leverage peer relationship and industry research experts to identify best-fit solutions for the NCUA's needs. Analyzing the current use of existing approved tools such as Lync and others that are in use but not supported, such as GoTo Meeting, will allow a clear understanding of the current needs of the NCUA Central Office and Regional staff, State Examiners and Credit Unions. Physical videoconferencing solutions will be assessed using research, reaching out to peer agencies and benchmarking/piloting potential solutions.

**Results and technical benefits:**

The results of this Alternatives Analysis will be a project(s) that improves the collaboration aspects of the NCUA conference rooms and addresses the need to collaborate online with people and institutions that are outside of the NCUA network. By having a known solution that is supported centrally, there will be both cost savings and risk avoidance by ensuring that best practices are followed when collaborating outside of the NCUA's secure network.