



**Credit Union Department
State of Texas**

FY 2013 Annual Operating Plan & Budget

**Approved by the Credit Union Commission
June 15, 2012**

**Amended by the Credit Union Commission
November 2, 2012**

INTRODUCTION

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2013 Annual Operating Plan and Budget*. This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2013-2017* with the Department's proposed budget. It aims to improve the links between the Department's resource needs, effectiveness, and outcomes.

THE DEPARTMENT TODAY

The Department is a self-directed and semi-independent agency that is responsible for ensuring a safe and sound credit union system for all Texans. This is accomplished through the effective chartering, regulation, and supervision of Texas-chartered credit unions. The operations of the Department are funded primarily by semiannual assessments levied on credit unions. The Department receives no state monies from the General Revenue Fund.

As of December 31, 2011, the Department was responsible for regulating and supervising 197 credit unions. Based on the December 31, 2011 call reports, Texas-chartered credit unions held \$26.3 billion in assets or approximately 36 percent of total aggregate credit union assets in Texas.

GOALS AND OUTCOMES

The Credit Union Commission has established four strategic goals to guide the operations of the Department and to contribute to the achievement of its mission and performance goals. The Commission's goals are:

1. To ensure a safe and sound state credit union system in Texas;
2. To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. To safeguard the interest of credit union members; and
4. To develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

The Department works to meet these goals by, among other things, detecting violations and potential problems or issues in the Texas credit union system and ensuring that the violations are addressed; crafting rules that strengthen corporate governance and operations; ensuring credit union members are treated fairly; and making sure that the Department's human capital strategies, information technology initiatives, and resources are appropriately aligned to achieve the Department's mission, goals, and outcomes.

Like other regulatory agencies, the Department has found it challenging to develop measures that accurately depict the outcomes of the agency's activities. In many instances the effects of the agency's efforts can only be indirectly assessed. The Department intends to continue refining its work in this area as it gains more experience in integrating its budget and performance functions. For this fiscal year, the Department has developed alternatives for measuring outcomes that help the public gauge the Department's progress in achieving its mission, as well as assisting staff in meeting the Commission's objectives.

Strategic Goal 1: A safe and sound credit union industry

Strategic Objective 1.1: Risks to the credit union system in Texas are understood, addressed, and conveyed to credit unions.

Strategies

1. Ensure risk-based supervision is properly executed and focused on systemic and credit union specific risks.
2. Identify new products and services, and emerging risk areas, including those related to operational and technology-related vulnerabilities, and adjust supervisory strategies and activities as appropriate.
3. Comply with the examination schedule requirements of 7 TAC Section 97.105.
4. Resolve problem credit union situations in a timely fashion, effectively, and when possible, without loss to the insurance fund.
5. Conduct examinations to determine compliance with the Bank Secrecy Act, anti-money laundering, and the USA PATRIOT Act requirements.

Strategic Objective 1.2: State and Federal financial supervisory authorities cooperate on common interests.

Strategies

1. Work effectively with NCUA to identify and address risks and emerging issues.
2. Implement existing and develop new coordination and collaboration agreements with the various state and federal regulators regarding supervisory activities performed in credit unions.
3. Represent the Department's interest on interagency groups and national professional associations, including NASCUS.

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Informational Measures

- Number of state-chartered credit unions
- Number of regular examinations performed

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Number of follow-up contacts made
Number of enforcement actions issued
Percentage of credit unions with composite CAMEL ratings of 1 or 2
Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
Percentage of credit unions that are “Well Capitalized” as defined by federal statute

Production Measures

Percentage of credit unions receiving regular examination: **90**
Percentage of applications approved or denied within 60 days: **100**
Percentage of reports mailed to credit unions within 20 days: **98**

Strategic Goal 2: A flexible legal and regulatory framework that enables credit unions to provide a competitive array of financial services

Strategic Objective 2.1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process.

Strategies

1. Review and revise Commission rules to further streamline, reduce burden, and reflect new developments.
2. Conduct mandatory rule review in accordance with the Commission approved plan.

Strategic Objective 2.2: The Department supports credit unions’ efforts to remain competitive, consistent with safety and soundness.

Strategies

1. Develop and modernize credit union charter attributes and the role of the credit union system.
2. Enhance communications with NCUA to facilitate better coordination on state law issues affecting credit unions.
3. Ensure that rules provide an environment that encourages credit unions to provide services to underserved and low income markets.

Strategic Objective 2.3: Chartering procedures are efficient and consistent with safety and soundness

Strategies

1. Review policies and procedures to provide clear and comprehensive guidance.
2. Implement and maintain processes for early review of applications and authorization request.

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Informational Measures

- Number of new rules adopted
- Number of rules amended
- Number of rules re-adopted without change
- Number of applications processed
- Number of requests for interpretations/opinions of Act and Rules
- Number of contested cases referred to SOAH
- Number of Public Information Act requests processed
- Number of public forums in which Department participates
- Total Assets in state-chartered credit unions
- Percentage increase in total aggregate credit union assets

Production Measures

- Percentage of rule changes provided to credit unions within 60 days: **100%**
- Percentage of interpretations/opinions issued within 30 days: **100%**

Strategic Goal 3: Safeguard the interest of credit union members

Strategic Objective 3.1: All credit union members have fair access to financial services and are treated fairly.

Strategies

1. Reinforce the importance of fair and honest treatment of members through member complaints handled by the Department.
2. Strengthen role in addressing member privacy, information security, and identity theft requirements.

Strategic Objective 3.2: Credit unions are involved in providing services to underserved and low income markets.

Strategies

1. Support efforts of credit unions to develop and expand services in sound and successful activities.
2. Participate in financial literacy efforts by credit unions.

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Informational Measures

Number of complaints processed
Percentage of credit unions providing services to low income or underserved populations

Production Measures

Percentage of complaints responded to within 30 days: **95%**

Strategic Goal 4: Develop a professional and motivated staff that provides quality service and supports achievement of the Department's statutory mission.

Strategic Objective 4.1: A motivated and diverse workforce is maintained in a fair and inclusive work environment.

Strategies

1. Maintain a comprehensive Equal Employment and Workforce Diversity Plan.
2. Continue executing the Department's comprehensive training strategy for new entry level examiners.
3. Develop external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit union activities and organizations.
4. Continue to explore proactive initiatives focused on the retention of examiners.

Strategic Objective 4.2: The Department is an efficient, effective, and ethical organization.

Strategies

1. Ensure compliance with laws, rules and stewardship of Department resources through program evaluation.
2. Ensure compliance with the rules, policies, and procedures for ethical conduct by Department staff.
3. Assure reliable, secure, modern information technology systems that meet the Department's mission, goals, and objectives.
4. Enhance examiner knowledge of evolving credit union services and potential benefits and risks they pose to the system

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Strategic Objective 4.3: The Department's resource decisions and operations reflect sound financial principles.

Strategies

1. Achieve reliable, accurate and timely human and financial resources management information.
2. Use best practice benchmarks and risk assessments to guide resource allocation, management, and monitoring.

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Informational Measures

Annual examiner turnover rate
Average regulated assets per examiner (millions)
Annual staff turnover rate
Number of days of formal training attended by staff
Number of contracts awarded to HUB vendors
Percentage of contracts awarded to HUB vendors

Production Measures

Percentage of credit unions indicating quality service annually: **90%**

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BUDGET – FY 2013

	Total 2013 Budget
REVENUE:	
Operating Fees	2,969,435
Examination Fees	
Application Fees	
Penalties	
Refund/Reimburse Expenditure	
Other	
TOTAL REVENUES:	2,969,435
FTEs	24.5
EXPENDITURES:	
Personnel Expenses	
Salaries and Wages	\$1,807,939
Payroll Related Costs	490,227
Other Personnel Costs	37,140
Total Personnel Expenses	\$2,335,306
Travel Expenses	
In State	\$ 300,900
Out-of-State	5,000
Commission	11,000
Total Travel Expenses	\$ 316,900
Other Operating Expenses	
Communications/Utilities	\$ 24,660
Professional Services/Fees	8,500
Supplies/Materials	18,000
Training/Registration	13,680
Repairs/Maintenance	45,570
Rentals and Leases	5,050
Computers	23,600
Other Operating	22,650
State of Texas Services	93,500
Capital Expenditures	62,019
Total Other Operating Expenses	\$ 317,229
TOTAL EXPENDITURES	\$2,969,435
CONTINGENCY RESERVE	TBD

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CUMULATIVE RESOURCES

Fiscal Year	2007	2008	2009	2010	2011	2012
Authorized FTE	26	26	26	24.5	24.5	24.5
Actual FTE	23.3	22.4	21.53	21.88	22.5	TBD
Budgeted Dollars	\$2,149,010	\$2,178,979	\$2,229,083	\$2,479,994	\$2,656,716	\$2,814,637
Actual Dollars	\$2,137,563	\$2,161,807	\$2,204,679	\$2,250,508	\$2,520,819	TBD