CREDIT UNION COMMISSION
MEETING MINUTES
NOVEMBER 2, 2012

A. CALL TO ORDER - ASCERTAIN A QUORUM - Chairman Thomas Butler declared that a quorum was present and called the meeting to order at 8:04 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Government Code. Other members present included Manuel Cavazos, Gary Janacek, Dale Kimble, Rob Kyker, Sherri Merket, Allyson Morrow, Gary Tuma, and John Yoggerst. Assistant Attorney General Nancy Fuller was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, James R. Deese, Deputy Commissioner, and Betsy Loar, Assistant Commissioner and General Counsel. Chairman Butler appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted **(October 22 2012, TRD#2012007385).** Mr. Butler also announced that under Sections 551.071 and 551.074 of the Government Code, the Commission would enter into executive session to consult with legal counsel concerning pending litigation and discuss certain personnel issues related to the Commissioner's annual performance review. Without objection, the Chair reserved the right to rearrange agenda items as necessary.

- **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION--**Chairman Butler invited public input on matters that were not scheduled items on today's agenda for possible future consideration by the Commission. No public comments were received.

B. RECEIVE MINUTES OF PREVIOUS MEETING (June 15, 2012) -- Mr. Yoggerst moved that the minutes of the Commission's regular meeting of

June 15, 2012 be approved as presented. Mr. Cavazos seconded the motion, and the motion was unanimously adopted.

C. COMMUNICATIONS

The Chairman referred the members to the correspondence contained in the agenda packet. Commissioner Feeney reported that the State Office of Risk Management (SORM) conducted an on-site consultation on October 9th. He noted that Department has responded to the findings and SORM has approved our action plan to address each of the identified issues. Mr. Feeney also pointed out that the Department had officially notified the IRS that we will no longer be filing the consolidated Group Form 990 for Texas-chartered credit unions. And finally, the Commissioner noted that, in accordance with Rule 97.113, he had waived the FY 2013 operating fee for the two credit unions that are currently being liquidated.

D. COMMITTEE REPORTS

(a) Commissioner Evaluation Committee – Allyson Morrow, Chair of the Committee briefly discussed the process and procedures to be used during this year's evaluation of the Commissioner. She further indicated that the actual evaluation would be discussed during the Executive Session.

Chairman Butler thanked the Committee for its work.

E. UNFINISHED BUSINESS

(a) Discussion, Consideration and Possible Vote to Amend the Department's FY 2013 Budget to include Funding for a Proposed Parking Area on the North Side of the CUD Building. Commissioner Feeney directed the Commission's attention to the final operating statement for FY 2012 as well as the first month's statement for FY 2013. He indicated the operating income for FY2013 after one month of operations was approximately $1.5 million and that expenses for the same period were about $197,500. Mr. Feeney also reminded the Commission that it had directed staff to further study the feasibility and potential design of an additional parking lot for the building. As a result, the Department contracted with the Texas Facilities Commission (TFC) to assist with the parking project. TFC hired an engineering firm which reviewed the project and came up with a design that should meet our needs. The firm has recommended an asphalt parking lot on the north side of the building with an access drive along the east side of the building with 8-9 parking spaces in the back of the building and parallel parking along the side of the building at a projected cost of $69,519. Mr. Feeney explained that if the Commission wishes to move forward with the proposal, as presented, the budget would need to be increased by $62,019.

Mr. Yoggerst questioned the cost per square foot of the asphalt for the proposed parking lot. Ms. Loar responded that the proposal did not break out specific information on the cost of the asphalt but a rough estimation of the square footage of the rear parking lot was about 1,400 square feet plus whatever is needed for the driveway along the side of the building. Mr. Yoggerst indicated that, from his experience, the cost appeared high for a non-government contract.

Mr. Yoggerst also inquired about the Department's ability to collect additional revenue to cover the cost associated with this project. Commissioner Feeney responded that annual operating fee is calculated based on a credit union's total assets. He noted that if the full amount authorized by Rule 97.113 was assessed, the Department would collect more revenue than would be necessary to fully cover a revised budget that included the proposed parking lot.

After a lengthy discussion, Mrs. Morrow moved that the Commission approve the additional parking project, as presented, and that the FY 2013 budget be increased by $62,019 to cover the associated cost. Mr. Tuma seconded the motion and the motion was unanimously adopted.

(b) Discussion and Consideration of the Department's 2013 Legislative Recommendations and the Upcoming 83rd Regular Session of the Legislature. Commissioner Feeney indicated that he was pleased to report that Senator Carona had agreed to carry the Department's legislative recommendations during the upcoming Session. He noted that the bill that will be introduced by Senator Carona will not include all of the provisions approved by the Commission at the June meeting. Mr. Feeney briefly highlighted the differences between the proposal approved by the Commission and the bill that will be considered by the Legislature. Commissioner Feeney also indicated that finding a representative to sponsor the legislation in the House will need to wait until the House gets organized early next year. He also reviewed for the Commission the important dates related to the upcoming Session.

Chairman Butler expressed the Commission's gratitude to Senator Carona for his willingness to dedicate his time and resources to work with the Department to get this legislation passed and enacted into law.

(c) Discussion and Consideration of Current Status of the Financial Services Market and the Effect on Credit Unions Regulated by the Department. Deputy Commissioner Deese highlighted the key ratios for credit unions. Mr. Deese indicated that credit unions continue to be impacted by historically low interest rates, above-average unemployment, and weak loan demand. In addition, he noted that the assessments for the NCUA's corporate credit union stabilization program have also negatively impacted the credit unions' financial condition. Mr. Deese reported, however, that the vast majority of Texas-chartered credit unions are exhibiting positive financial trends from a safety and soundness perspective. After a brief discussion, no formal action was taken by the Commission.

F. NEW BUSINESS

(a) Discussion, Consideration, and Possible Vote to Readopt the Department's Equal Employment and Workforce Diversity Plan. Commissioner Feeney noted that Section 15.313, Finance Code, requires the Commission to prepare and maintain a written policy statement to assure implementation of a program of equal employment opportunity. He indicated the Commission originally approved the Plan back in 1997 and that the Plan covers a 12-month period, and therefore, must be ratified annually.

After a brief discussion, Mrs. Merket moved that the Commission readopt the Department's Equal Employment and Workforce Diversity Plan. Mr. Yoggerst seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Amend the Commission's Policy Related to the Department's Contingency Fund Reserve. Commissioner Feeney indicated that in February 2010, the Commission adopted a Contingency Fund Reserve Policy to ensure the Department had sufficient funds to meet emergency situations that might arise as a semi-independent, self-directed (SDSI) agency. He noted that the policy prescribes the amount of the Fund and establishes six sub-accounts, each of which has a specific purpose, calculated level of need, and restrictions on use. Mr. Feeney explained that the directed funding levels for the Reserve Fund had been achieved at the fiscal year-end. He suggested that this might be an opportune time for the Commission to revisit the Reserve policy and possibly consider the advisability of imposing a firm limit on the aggregate dollars the Department will hold in reserve. Commissioner Feeney indicated that staff had developed a preliminary draft of some potential policy revisions that would establish an aggregate maximum limit of $845,000 for the fund and directed that any funds in excess of that amount at the end of a fiscal year would be used to reduce credit union operating fee assessments in the next fiscal year.

After a short discussion, Mr. Tuma moved that the Commission approve the changes to the Contingency Fund Reserve Policy as recommended by staff. Mr. Kimble seconded the motion and the motion was unanimously adopted.

(c) Discussion and Consideration of the Interagency Contract with the Savings and Mortgage Lending Department to Perform Examination and Investigations of Licensed Mortgage Loan Originators who are Employed by Credit Union Service Organizations (CUSOs). Commissioner Feeney explained briefly that the Department had entered into an interagency agreement with the Savings and Mortgage Lending Department to perform examinations and handle complaints involving residential mortgage loan originators employed by a CUSO on behalf of the Department. He indicated that the Department had transferred back to the Savings and Mortgage Lending Department all the monies received for these required examinations.

Chairman Butler inquired, if the proposed legislation to statutorily transfer this responsibility to the Savings and Mortgage Lending Department was enacted, whether the Department would incur any additional cost for having these examinations performed. Commissioner Feeney responded that if the responsibility for examining and handling the complaints is transferred to them, the Savings and Mortgage Lending Department would simply retain the examination fee it currently collects when it renews or issues a license to a residential mortgage loan originator. It would have no fiscal impact on the Department.

After a brief discussion, no formal action was taken by the Commission.

(d) Discussion, Consideration and Possible Vote to Adjust the Parameters for Paying a Frequent Overnight Travel Stipend to the Examination Staff. Commissioner Feeney briefly noted that back in 2007, the Legislature authorized the Department to pay an overnight travel stipend for those examiners that were out of town more than 60 nights. There were no monies appropriated specifically for the travel stipend so cost savings had to be realized in other areas to be able to pay a travel stipend. He indicated that when the Department became an SDSI agency, the budget assumptions continued the same parameters for the payment of a travel stipend. Recently, the Department learned that the travel stipends being paid to our examiners were not competitive with those paid by the Texas Department of Banking and the Federal Deposit Insurance Corporation. Mr. Feeney requested that the Commission revise the parameters for paying an overnight travel stipend to allow the Department to pay travel stipend for over 50 nights at a rate not to exceed $50 per night. He further indicated that monies to pay these travel stipends would continue to come from cost savings in other areas.

After a brief discussion, Mr. Cavazos moved that the Commission authorize the Department to pay an overnight travel stipend for any overnight stays in excess of 50 days out per year at daily rate not to exceed $50. Mr. Kyker seconded the motion and the motion was unanimously adopted.

(e) Discussion of and Possible Vote to Approve Resolution of Appreciation for Retiring Deputy Commissioner James R. Deese. Commissioner Feeney indicated that it was impossible to measure what Mr. Deese has meant to this agency. He reported that ever since he joined the Department he has been an indispensable part of building the very foundations that have made our examination program the success it is. He noted that Mr. Deese started with the Department in 1985 as an examiner trainee, progressing through the examiner ranks until he became a supervisory examiner in 1991. He then progressed to Director of Supervision, Regional Director and for the last eleven years he has served as Deputy Commissioner. Commissioner Feeney asserted that Mr. Deese's commitment to the Department's work and to Texas credit unions has been part of the lifeblood of this organization and he asked the Commission to adopt a resolution of appreciation to recognize his enormous contributions to this Department.

Chairman Butler indicated that it had been an absolute pleasure working with Mr. Deese. Mr. Butler also expressed his appreciation for the time James spent keeping the Commission informed and for his efforts to make sure that the credit unions of this state are safe and sound.

After a short discussion, Mr. Janacek moved that the Commission approve the Resolution of Appreciation for retiring Deputy Commissioner James Deese as presented and that the resolution be given to him as a token of our appreciation. Mr. Yoggerst and Mr. Kyker seconded the motion and the motion was unanimously adopted.

G. EXECUTIVE SESSION -- Mr. Butler stated that the Commission would be entering into Executive Session as provided under Section 551.071 and 551.074 of the Government Code to consult with legal counsel concerning pending litigation and discuss certain personnel issues related to the Commissioner's annual performance evaluation and remuneration. The Commission entered into Executive Session at 8:39 a.m. and reconvened in open session at 9:20 a.m.

H. OTHER BUSINESS

(a) Vote on Matters Discussed in Executive Session:

1. **FY 2013 Performance Targets and Evaluation Form**

   After a short discussion, Mr. Yoggerst made a motion to maintain the current performance targets and evaluation form for FY 2013. Mr. Janacek seconded the motion and the motion was unanimously adopted.

2. **Remuneration**

   Ms. Morrow made a motion that Commissioner Feeney's salary be set at $157,500 for FY 2013. Mr. Kyker seconded the motion and the motion was unanimously adopted.

Chairman Butler thanked Mrs. Morrow for chairing the Commissioner Evaluation Committee and expressed his appreciation to the Committee members for the time and the input they have provided each year.

Mrs. Morrow gratefully acknowledged the help that Isabel Velasquez provided the Committee in gathering information and doing research.

(b) Next Commission Meeting -- Chair Butler reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for February 15, 2013 at 8:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Butler adjourned the meeting at 9:23 a.m.

Thomas F. Butler
Chair

Isabel Velasquez
Recording Secretary

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