

**CREDIT UNION COMMISSION
MEETING MINUTES
FEBRUARY 20, 2015**

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chairman Manuel “Manny” Cavazos declared that a quorum was present and called the meeting to order at 8:02 a.m. in the conference room of the Credit Union Department office, Austin, Texas, pursuant to Chapter 551 of the Government Code. Other members present included Gary Janacek, Sherri Merket, Rob Kyker, Kay Stewart, Vik Vad, and John Yoggerst. Allyson Morrow and Gary Tuma were both absent due to health related issues. Assistant Attorney General Zindia Thomas was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, Robert N. Baxter, Deputy Commissioner, and Stacey McLarty, Assistant Commissioner and General Counsel. Chairman Cavazos appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted (**February 9, 2015, TRD#2015000935**). Without objection, the Chair reserved the right to rearrange agenda items as necessary.

❖ **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Chairman Cavazos 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.

❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Chairman Cavazos inquired if there were any requests or motions to excuse an absence. Mr. Yoggerst moved to excuse Allyson Morrow and Gary Tuma from the Commission meeting on February 20, 2015. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (October 17, 2014).

The Chairman referred the members to the draft minutes contained in the agenda packet. Mrs. Stewart moved for approval of the minutes of October 17, 2014 as presented. Mr. Yoggerst seconded the motion, and the motion was unanimously adopted.

C. COMMUNICATIONS

The Chairman referred members to the correspondence contained in the agenda packet. Commissioner Feeney called attention to the letter from Governor Abbott relating to transparency in state agency contracting and procurement. He indicated that the Governor has asked all agencies to achieve higher standards when faced with decisions about how to spend taxpayers' money. Commissioner Feeney also reported that the State Office of Risk Management (SORM) conducted a review of the Department's risk management program. During this review only one observation and corresponding recommendation was made with respect to the janitorial services for the building. He noted that SORM has recommended that the Department obtain a list of all our cleaning products used by the janitors while on the Department's property. Depending on the products being used, the Department may need to install an eyewash station to ensure the cleaning crew can protect themselves accordingly. And lastly, Mr. Feeney indicated that loaded on the iPads was a Continuity of Operation Plan Evaluation Report which indicates that the Department's Continuity of Operation Plan meets the State of Texas Continuity Program standards. He commended staff for their hard work on this matter, which included getting a staff member certified as a Continuity Planner.

D. COMMITTEE REPORTS

Commissioner Evaluation Committee – Vik Vad, Vice Chair of the Committee briefly reported that the Committee was not able to meet because of the absence of a quorum. He noted that the meeting has been tentatively rescheduled for June 18, 2015 at 11:00 a.m.

E. UNFINISHED BUSINESS

(a) Discussion and Consideration of the Department's FY 2015 Financial Performance and Possible Vote to Amend the Department's FY 2015 Budget to Include Additional Funding to Develop and Implement a Web-based Electronic Document Repository and Secure Web Portal Utilizing SharePoint Online Solution. Commissioner Feeney directed attention to the financial statements for the five month period ending January 31, 2015, which reflect operating income of \$1,894,266 million which is approximately \$9,700 more than budgeted. Also noted that \$1,190,460 million was spent operating the Department which is approximately 90% of the amount budgeted for expenses. Mr. Feeney also commented on several budget variances. He indicated that the unanticipated resignation of two examiners resulted in the lump sum payments of accrued leave totaling \$9,900. He discussed the changes to the formula for determining the state-wide cost allocation, resulting in those costs exceeding the budgeted amount by approximately \$1,700. He alerted members to the fact that travel costs are escalating and speculated that travel cost may soon exceed budget projections. He concluded by indicating that the budget variances would be accommodated through other expense reductions and vacancy savings.

Commissioner Feeney encouraged the Commission to consider giving its authorization for the Department to proceed with the next phase of the electronic document management initiative and to make the necessary adjustments to the FY

2015 budget. He reiterated that in an effort to reduce the its dependency on paper files, the Department embarked on multi-phase initiative in FY 2014 to transition from a paper-based method of handling documents to an electronic document storage and management system. Mr. Feeney further explained that the Department had contracted with a third party to develop a project plan and detailed requirements document for this phase of the initiative. As proposed, the Department would create a modern technology document management solution utilizing Microsoft Office 365 and SharePoint Online. He noted that the proposal has been designed with the capacity to incorporate future IT projects and productivity features. Mr. Feeney explained that before the Department solicits bids on this proposal, it was seeking the Commission's approval to proceed and was asking that the necessary adjustment to the FY 2015 budget be made based upon a projected cost \$92,080. He indicated that the delineated cost for the SharePoint Online Custom Web Portal (\$16,080) was being deferred until the FY 2016 budget. There was discussion among the members including the following questions:

- Mr. Vad inquired if it were possible to get a more detailed breakdown of the \$80,000 cost for the SharePoint Online Solution. Mr. James Rivera, Project Manager for Dataman, indicated that he would provide a more thorough cost analysis and highlighted the advantages and benefits of using Microsoft Office 365 and SharePoint Online.
- Mr. Vad also inquired about the estimated ongoing costs to maintain the new system. Mr. Rivera responded that the required software licenses are fairly low cost ranging \$20 to \$30 per user per month.
- Mr. Cavazos inquired about the process used by the Department to select Dataman to manage this phase of the project. General Counsel Stacey McLarty explained that throughout the process the Department has worked closely with the Department of Information Resources (DIR). She noted

that DIR maintains a list of approved vendors for these kinds of projects. She indicated that the Department solicited bids from 7 local vendors with experience working with SharePoint. Dataman was the only entity to actually submit a formal proposal. Mr. Kyker requested the members be provided with the list of all the vendors that received the request for proposal.

- Mr. Vad inquired about the number phases and the ultimate projected cost to complete the initiative. Ms. McLarty responded that by using Microsoft Office 365 and SharePoint the Department's digital document needs should be met for the foreseeable future; however, credit unions have stated a desire to interface electronically with the Department so it plans to continue developing its systems to meet those demands. She also noted that the current plan anticipates that the Department's IT Network Specialist will be able to keep up with the ongoing day-to-day adjustments to keep the cost down.
- Mr. Cavazos inquired about online security and any potential liability if confidential information is inappropriately accessed. Mr. Rivera responded that there are multiple layers of security built into moving to the cloud, with the possibility of encrypting of the data as well.
- Mr. Yoggerst inquired about the total amount of funds that had been expended on this initiative to date. Mr. Feeney indicated that \$50,982 had been spent on the two previous phases of the initiative. He reiterated that in addition to the \$92,080 being considered for FY 2015, there would be an additional \$16,080 requested in FY 2016 for the SharePoint Online Custom Web Portal. He also indicated that credit unions have expressed a desire for the Department to provide a secure platform for them to upload confidential information to facilitate the examination process, which is not currently addressed in this initiative.

After a lengthy discussion, Mr. Janacek moved that the Commission approve the electronic document management solution, as presented, and that the FY 2015 budget be increased by \$92,080 to cover the projected cost. Mrs. Stewart seconded the motion and the motion was unanimously adopted.

(b) Discussion and Consideration of Current Status of the Financial Services Market and the Effect on Credit Unions Regulated by the Department. Deputy Commissioner Baxter highlighted various ratios and other preliminary trends from the December 31, 2014 call report data. Mr. Baxter pointed out that while there is a relative small percent of credit unions experiencing a combination of operational and/or financial weaknesses, the overall financial trends in credit unions remains positive. He noted that total assets increased to \$32.3 billion, a 6% increase over reported assets at the end of 2013. He further noted that total loans increased by 10.8%; the aggregate net worth ratio increased to 10.01%; and the delinquent loan ratio has dropped to 0.67%. He indicated that profitability trends are favorable, with the industry reporting a ROAA of 0.81%. He cautioned, however, that 17% of the 187 credit unions reported a combined operating loss of approximately \$3.2 million. The factors contributing to these losses include weak loan demand, elevated delinquency, high operating expenses, below average fee income and above average investment in fixed assets. Overall, Mr. Baxter noted that the Department is encouraged by the improving economy and the positive impact it is having on the majority of Texas credit unions.

No formal action was taken by the Commission.

F. NEW BUSINESS

(a) **Discussion, Consideration, and Possible Vote to Readopt 7 TAC Part 6, Chapter 91 Subchapters E (Direction of Affairs) and F (Accounts and Services) in their entirety.** Commissioner Feeney noted that Section 2001.39, Government Code, requires a state agency to review and consider for readoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its June 2012 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff reviewed 7 TAC Part 6, Chapter 91 Subchapters E and F in their entirety and is recommending that no changes be made at this time. He noted that no written comments were received regarding the review of these rules.

After a short discussion, Mr. Yoggerst moved that the Commission find that the reasons for adopting the rules contained in **7 TAC Part 6, Chapter 91 Subchapter E and F** continue to exist and that all of these rules be readopted without change. Mr. Vad seconded the motion and the motion was unanimously adopted.

(b) **Discussion, Consideration and Possible Vote to Approve and Authorize the Submission of the Department's Annual Internal Risk Assessment Report and Required by Section 2102, Government Code.** Commissioner Feeney explained that the Government Code requires smaller agencies to conduct a formal risk assessment each year and submit the written assessment to the State Auditor's Office. He noted that Staff had completed the internal risk assessment and has prepared a written assessment of the risks along with the controls the Department has in place to mitigate those risks for submission to the Auditor's Office.

After a short discussion, Mrs. Merket moved that the Commission approve the Department's Internal Risk Assessment Report and authorize its submission to the State Auditor's Office. Mr. Kyker seconded the motion and the motion was unanimously adopted.

(c) Discussion, Consideration, and Possible Vote to Amend the Commission's Policies Manual, as Part of its Annual Policy Review. Commissioner Feeney indicated that in accordance with its policy, the Commission is required to review its policies manual at least once each year. He noted that staff has review the various policies contained in the manual and has no recommendations for changes at this time. He explained that, unless a member would like to suggest specific modification, staff would suggest that the record reflect that the Commission has reviewed the policies manual and found that no modifications are necessary at this time.

The members had no suggestion for modifying the policies. Mr. Cavazos indicated that, without objection, the record should reflect that the Commission has reviewed its manual and no modifications are necessary at this time. There were no objections.

(d) Discussion, Consideration, and Possible Vote to Adopt the General Budget Assumptions and Parameters to be used in Guiding the Development of the Department's FY 2016 Budget. Commissioner Feeney indicated that Finance Code Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. He noted that staff was seeking approval of guidelines for developing the draft FY 2016 budget, which will be presented at the next meeting. Mr. Feeney explained that the proposed guidelines provide that the budget must be balanced, meet all contractual

obligations, and funding salaries for all positions authorized as of the end of the current fiscal year. Other substantive provisions include funding for the 2015-2019 Strategic Plan initiatives and merit increases for staff based on performance. Mr. Feeney reminded members that they are not being asked to vote on any actual budget numbers. The Commission will take up and consider the proposed FY 2016 Annual Operating Plan & Budget at the June meeting and adopting these guidelines would not preclude the Commission from make changes after it sees the proposed numbers.

After a short discussion, Mrs. Stewart moved that the Commission adopt the proposed FY 2016 budget assumptions and parameters as recommended by staff. Mr. Yoggerst seconded the motion and the motion was unanimously adopted.

(e) Discussion, Consideration and Possible Vote to Adopt Resolutions Commemorating First Basin Credit Union, Fort Worth Community Credit Union, Metro Medical Credit Union, LCRA Credit Union and Space City Credit Union for their Contributions to the Citizens of Texas on the Respective Milestone Anniversary Dates of their Origin. Commissioner Feeney explained that in accordance with its policy, the Commission may adopt resolutions honoring credit unions for reaching certain milestones dates. He indicated that the Department was presenting five resolutions for the Commission's consideration.

After a brief discussion, Mr. Vad moved that the Commission adopt the resolutions commemorating **First Basin Credit Union, Fort Worth Community Credit Union, Metro Medical Credit Union, LCRA Credit Union and Space City Credit Union** for their contributions to the citizens of Texas on the respective milestone anniversary of their origin and that a copy of the appropriate

resolution be mailed to the credit unions. Mr. Kyker seconded the motion and the motion was unanimously adopted.

(f) Discussion and Consideration of Legislative Issues and Activities Relating to the 84th Regular Session that may Impact the Department or Credit Unions under its Jurisdiction. Commissioner Feeney summarized the Sunset Advisory Commission's Report to the 84th Legislature related to Entry Criteria for Self-Directed Semi-Independent (SDSI) agencies. He noted that an actual bill had not yet been introduced. There was discussion among the members and the Commissioner addressed questions.

Mr. Cavazos inquired about the status of members whose terms of office had expired. Commissioner Feeney explained that Texas Constitution requires these members to continue to serve until their successors have been duly qualified. There was discussion among the members and the Commissioner addressed questions.

H. OTHER BUSINESS

(a) Next Commission Meeting -- Chair Cavazos reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for June 19, 2014 at 8:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Cavazos adjourned the meeting at 9:19 a.m.

Manuel “Manny” Cavazos
Chair

Isabel Velasquez
Recording Secretary

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