

**CREDIT UNION COMMISSION
MEETING MINUTES
JUNE 19, 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 8:00 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 Allyson Morrow, Gary Janacek, Rob Kyker, Kay Stewart, Gary Tuma, and Vik Vad. Sherri Merket and John Yoggerst were absent due to family and personal medical matters, respectively. 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 (**June 9, 2015, TRD#2015003890**). 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. Kyker moved to excuse Sherri Merket from the Commission meeting on June 19, 2015. Mr. Tuma seconded the motion, and the motion was unanimously adopted.

Mr. Tuma moved to excuse John Yoggerst from the Commission meeting on June 19, 2015. Ms. Stewart seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (February 20, 2015).

The Chairman referred the members to the draft minutes contained in the agenda packet. Mr. Kyker moved for approval of the minutes of February 20, 2015 as presented. Mr. Tuma seconded the motion, and the motion was unanimously adopted.

C. APPROVE PREVIOUSLY APPROVED COMMISSION MEETING MINUTES (October 17, 2014).

The Chairman referred the members to the draft corrected minutes contained in the agenda packet. Mr. Cavazos explained that it had not been his intention to make any formal changes to the committees, with the exception of appointing a vice chair to the Commissioner Evaluation Committee. He further indicated that once the Governor has taken action with respect to the members whose terms have expired, he does plan to make some adjustments. Ms. Morrow moved to approve the correction to the October 17, 2014 minutes as presented. Mr. Kyker seconded the motion, and the motion was unanimously adopted.

D. COMMUNICATIONS

The Chairman referred members to the correspondence contained in the agenda packet. Commissioner Feeney alerted members to the fact that NCUA has proposed some dramatic modifications to its member business lending regulation, which, if adopted, will call into question the need or advisability of retaining Texas Administrative Code, Section 91.709. He noted that NCUA's stated intention is to move the member business lending regulation away from a system of barriers and waivers, and towards one that would instead center on credit

unions developing and using sound business lending practices and policies. Mr. Feeney indicated that future action with respect to Texas Administrative Code, Section 91.709 will be dependent on the final actions taken by the NCUA.

E. COMMITTEE REPORTS

Rules Advisory Committee -- Mr. Kyker, Committee Chairman, reported on the Committee's public meeting held on June 18, 2015. He explained that the Committee had adopted six recommendations for consideration by the Commission and after describe each recommendation he planned to make one motion to adopt the recommendations in their entirety.

(1) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.802 Concerning Other Investments. Mr. Kyker noted that it was the Committee's recommendation that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.802.

(2) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.803 Concerning Investment Limits and Prohibitions. Mr. Kyker noted that it was the Committee's recommendation that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.803.

(3) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.805 Concerning Loan Participation Investments. Mr. Kyker noted that it was the recommendation of the Committee that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.805.

(4) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.901 Concerning Reserve Requirements. Mr. Kyker noted that it was the recommendation of the

Committee that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.901.

(5) Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Readopt 7 TAC Sections 91.801 (Investments in Credit Union Service Organizations), 91.804 (Custody and Safekeeping), 91.808 (Reporting Investment Activities to the Board of Directors), and 91.902 (Dividends). Mr. Kyker noted it was the recommendation of the Committee that the Commission find the reasons for initially adopting the Rules 91.801 (Investments in Credit Union Service Organizations), 91.804 (Custody and Safekeeping), 91.808 (Reporting Investment Activities to the Board of Directors), and 91.902 (Dividends) continue to exist and that these rules be readopted without change.

(6) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.401 Concerning Purchase, Lease, or Sale of Fixed Assets. Mr. Kyker noted that it was the Committee's recommendation that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.401.

Mr. Kyker then made a motion on behalf of the Rules Committee that the Commission adopt the Committee's six delineated recommendations. A second was not needed and the motion passed unanimously.

(b) Commissioner Evaluation Committee – Chair Morrow briefly highlighted the Committee's progress in developing revisions to the FY 2016 evaluation form and associated goals for the Commissioner. Mrs. Morrow also reviewed the procedures that will be used during the Commissioner's FY 2015 performance review. No formal action was taken by the Commission.

F. UNFINISHED BUSINESS

(a) Discussion and Consideration of the Department's FY 2015 Financial Performance. Commissioner Feeney reported that for the first nine months of FY 2015 operating income totaled \$3,446,579 which is \$9,527 more than the year-to-date budgeted amount. He noted that during the same period, \$2,193,739 was spent operating the Department which is approximately 90% of the year-to-date budgeted figure. Mr. Feeney also commented on two budget variances. He indicated that the unanticipated resignation of two examiners resulted in the lump sum payments of accrued leave totaling \$9,900. He also discussed the changes to the formula for determining the state-wide cost allocation, resulting in those costs exceeding the budgeted amount by approximately \$4,000. He concluded by indicating that the budget variances would be accommodated through other expense reductions and vacancy savings. After a brief discussion, no formal action was taken by the Commission.

(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 March 31, 2015 call report data. He noted that total assets increased to \$33.5 billion, a 6% increase from the first quarter of last year. He further noted that total loans increased by 10.7%; the aggregate net worth ratio climbed to 9.87%; up from 9.64% a year ago; and delinquency and loan loss trends remains favorable. Mr. Baxter indicated that a small percentage of credit unions (22%) reported aggregate operating losses of \$3.3 million in the first quarter. After a brief discussion, no formal action was taken by the Commission.

(c) Discussion and Consideration of Legislative Issues and Activities Relating to 84th Regular Session that May Impact the Department or Credit Unions under its Jurisdiction. Commissioner Feeney indicated that there were more than 6,200 bills filed during the 84th Regular Session, but only slightly more

than 1,300 passed both chambers of the legislature and were sent to the Governor. Commissioner Feeney identified several bills that affected credit unions and/or the Department including HB 9, SB 805, SB 1032, HB 1626, HB 1628, HB 3736. He also noted that the Governor had until Sunday, June 21st to veto any of the bills passed by the Legislature. There was discussion among the members and the Commissioner addressed questions.

G. NEW BUSINESS

(a) Discussion, Consideration and Possible Vote to Approve Both the Department's Operating Plan and Budget for Fiscal Year 2016.

Commissioner Feeney explained that Section 16.003 of the Finance Code provides the Commission with exclusive responsibility for approving the Department's budget. He noted that in accordance with the budget policies and guidelines approved at the Commission's last meeting, The Department was presenting for the Commission's consideration and action a proposed FY 2016 Current Service Level budget of \$3,473,931. In addition, he explained the Department was requesting additional consideration of three new initiatives: (1) \$49,707 for and across-the-board pay increase for non-exempt staff member to minimize the impact of the change necessitated by the passage of HB 9; (2) \$69,192 to establish a pool to fund merit increases for non-exempt staff members; and (3) \$73,451 to authorize an additional entry level examiner FTE. Mr. Feeney reiterated that each initiative stood on its own merit and the Commission has the discretion to pick and choose as it deems appropriate but he encourage the Commission to approve the \$3,666,281 budget and authorize 28.5 FTEs. There was discussion among the members and the Commissioner addressed questions.

The Chair opened the floor for comments or questions from the public on the proposed budget. No public comments or questions were received.

Mr. Janacek moved that the Commission approve the proposed FY 2016 Operating Plan and Budget with a total budget of \$3,666,281 and 28.5 FTEs. Mr. Tuma seconded the motion and the motion was unanimously adopted.

H. OTHER BUSINESS – Next Commission Meeting

Chair Cavazos reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for October 16, 2015 at 8:00 a.m. in Austin.

Mr. Cavazos also announced his intentions to make the following appointments at the next meeting:

1. Commission Vice Chair – Missy Morrow;
2. Chair of the Rules Committee – Vik Vad; and
3. Chair of the Commissioner Evaluation Committee – Sherri Merket

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Cavazos adjourned the meeting at 9:13 a.m.

Manuel “Manny” Cavazos
Chair

Isabel Velasquez
Recording Secretary

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