



CREDIT UNION COMMISSION
Commissioner Evaluation Committee Meeting
(Credit Union Department Building
914 East Anderson Lane
Austin, Texas

Thursday, November 4, 2021
3:00 p.m.

* * * **AGENDA** * * *

This meeting of the Texas Credit Union Commission's Commissioner Evaluation Committee will be held at the Credit Union Department Building at 914 E. Anderson Ln., Austin, Texas 78752 and is open to the public. Only onsite testimony will be allowed; however, the meeting will be transmitted live through a link on the Department's webpage at www.cud.texas.gov on the day of the meeting, November 4, 2021 at 2:00 p.m.

An electronic copy of the agenda is now available at www.cud.texas.gov under Credit Union Commission, Commission Meetings, along with a copy of the meeting materials. A recording of the meeting will be available after November 12th, 2021. To obtain a recording, please contact Isabel Velasquez at 512-837-9236.

Public comment on any agenda item or issue under the jurisdiction of the Credit Union Commission Rules Committee is allowed. Unless authorized by a majority vote of the meeting quorum, the comments of any persons wishing to address the Committee will be limited to no more than ten (10) minutes.

The Committee may discuss and/or take action regarding any item on this agenda.

<u>TAB</u>	<u>PAGE</u>
A. Call to Order (2:00 p.m.) – Committee Chair Karyn Brownlee	4
a. Ascertain Quorum	
b. Appoint Recording Secretary	
c. Invitation for Public Input	
d. Acknowledge Guests	
B. Receive and Approve Minutes of the Commissioner Evaluation Committee's Meeting on November 5, 2020	6
C. FY 2021 Performance Evaluation and FY 2022 Remuneration for the Commissioner	11
D. FY 2022 Performance Objectives and Goals	23
E. Commissioner Succession Plan	46

Commissioner Evaluation Committee Meeting

November 4, 2021

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F. Future Committee Meeting Dates and Agenda Items

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Adjournment

Note: This is a meeting of the Commissioner Evaluation Committee of the Credit Union Commission; however, there may be other members of the Credit Union Commission attending this meeting. Since there might be a quorum of the Commission attending this meeting of the Commissioner Evaluation Committee, it is being posted as a meeting of the entire Commission.

Executive Session: The Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Recess: In the event the Commission does not finish deliberation of an item on the first day for which it was posted, the Commission might recess the meeting until the following day at the time and place announced at the time of recess.

Meeting Accessibility: Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Joel Arevalo, Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752--(512) 837-9236, as far in advance of the meeting as possible.

A

CALL TO ORDER

TEXAS CREDIT UNION COMMISSION
COMMISSIONER EVALUATION COMMITTEE

- *Karyn Brownlee, Chair*
- *Sherri Merket, Vice Chair*
- *Kay Swan*
- *David Shurtz*
- *Yusuf E. Farran, Ex-officio*

Legal Counsel

- *Melissa Juarez*

Staff

- *John J. Kolhoff*
- *Isabel Velasquez*

B

COMMISSIONER EVALUATION COMMITTEE
MEETING MINUTES

A draft copy of the minutes of the Committee's meeting held on November 5, 2020, is located under **Tab B**.

RECOMMENDED ACTION: The Department requests that the Commission approve the minutes as presented.

RECOMMENDED MOTION: I move that the minutes of the Committee's November 5, 2020, meeting be approved as presented.

**CREDIT UNION COMMISSION
COMMISSIONER EVALUATION COMMITTEE
MEETING MINUTES
NOVEMBER 5, 2020**

A. CALL TO ORDER – ASCERTAIN A QUORUM – Chair Beckie Stockstill Cobb called the meeting to order at 2:00 p.m. via video/teleconference, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. The other members present were Sherri Merket, Liz Bayless, and Commission Chair Yusuf Farran, ex-officio. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were John J. Kolhoff, Commissioner; and Isabel Velasquez, Executive Assistant. Mrs. Cobb appointed Isabel Velasquez as recording secretary. The Chair also inquired regarding notice, and the Commissioner confirmed that the notice of the meeting was properly posted (**October 22, 2020 TRD#2020006136**).

❖ **RECEIVED REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Chair Cobb inquired if there were any requests or motions to excuse an absence. Mrs. Merket moved to excuse Committee Member Jim Minge from the Commissioner Evaluation Committee meeting on November 5, 2020. Mrs. Bayless seconded the motion, and the motion was unanimously adopted.

❖ **GENERAL PUBLIC COMMENT** – Chair Cobb invited public input on matters that were not scheduled items on the agenda for possible future consideration by the Commission. No public comments were received.

B. MINUTES OF PRIOR MEETING (October 31, 2019). Mrs. Bayless moved to approve the minutes of October 31, 2019 as presented. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

C. NEW BUSINESS

FY 2020 Performance Evaluation and FY 2021 Remuneration For The Commissioner – Mrs. Cobb stated that the Committee would be entering into Executive Session as provided under Section 551.074 of the Government Code for the purpose of discussing personnel issues related to finalizing the proposed annual performance evaluation and remuneration for the commissioner. The Committee entered into Executive Session at 2:20 p.m.

At 3:14 p.m., the chair announced the committee was returning to open session and that no action had been taken in closed session. It was the consensus of the Committee to recommend to the full Commission the adjustments in the rated percentages for the evaluation form to be used for the Commissioner's FY2021 evaluation. Specifically, the special projects to be rated at 10%, Performance Objectives will be reduced to 70%, and the Commission Assessment to 20%. The committee then took no formal action regarding the agenda, reserving further discussion and possible action concerning the Commissioner's FY2020 performance evaluation and FY2021 remuneration for the meeting of the full commission the next day, November 6, 2020.

Review Future Meeting Dates (Next Regularly Scheduled Committee Meeting – August 5, 2021). Chair Cobb reminded the committee that the next regular meeting of the Committee has been tentatively scheduled for August 5, 2021.

There being no other business to come before the committee, Mrs. Cobb adjourned the meeting at 3:22 p.m.

Karyn Brownlee
Chair

Isabel Velasquez
Recording Secretary

Distribution:

Legislative Reference Library

C

NEW BUSINESS

C. Recommend that the Credit Union Commission Approve the Proposed FY 2021 Performance Evaluation and FY 2022 Remuneration for the Commissioner.

BACKGROUND: Commission policy calls for an annual performance review of the commissioner. Accordingly, the Commission will be expecting a recommendation from the committee relative to the FY 2021 performance evaluation and FY 2022 remuneration for the commissioner.

RECOMMENDED MOTION: I move that the Committee recommend that the Commission take action to approve the proposed FY 2021 Performance Evaluation and FY 2022 remuneration for the commissioner.

Performance Review

Texas Credit Union Commissioner

Instructions

The Commissioner review is a management-by-objectives program. The overall objective of this program is to align organizational goals and objectives with performance review and compensation.

Part I - Board Assessment

The Commission's Assessment is designed primarily to provide feedback to the Commissioner from each Commission member about his/her perception of the Commissioner's effectiveness.

Part I is totally subjective. As such, the weight assigned to this part of the review **should not exceed** 25% of the total review.

Each Commission member is asked to complete the Assessment Form annually and return it to the Chairman of the evaluation committee approximately one month prior to the scheduled review with the Commissioner. Data from each Commission member is compiled onto one form and shared with the Commissioner during the review.

Part II - Performance Objectives

The performance objectives section is a critical part of the Commissioner's performance review. Performance objectives are developed from the Department's strategic business plan and the plan year budget. These objectives are measurable/observable indicators that bridge the philosophy of the Texas Credit Union Department with measurable results.

Goals set for the objectives should be achievable. The best way to set goals is to look at absolute and relative measures. An absolute measure would be one in which the goal is established based on the Department's actual results. For example, if the goal is to have all state chartered credit unions examined within 18 months of the effective date of the last exam, and the result of that goal is usually 95%, a relative goal would be to have 100% of all credit unions examined within an 18 month period.

Part II is objective, in that achievement of results is verifiable, preferably measurable. This section of the review should be assigned the most weight.

Part III – Special Projects

The Special Projects section incorporates key, non-measurable strategies from the Department's strategic plan and annual operating plan & budget. Major projects and plans would be indicative of special project goals.

Individual Commission members are to evaluate results for each of the key strategies and submit their evaluations to the Chairman of the evaluation committee. **The Commissioner will provide Commission members with periodic updates regarding progress on each of the strategies throughout the plan year, as well as written documentation on the final results shortly after the conclusion of the plan**

year. Each Commission member's evaluation is compiled onto one form and incorporated into the overall review.

The sum of the weights assigned to Parts I, II, and III should equal 1.00.

Monitoring Results

We encourage everyone to track and review results throughout the year. Often during the course of a year, changes in the environment that are outside the control of the Commissioner may make it necessary to modify a goal. By reviewing the goals and progress toward meeting them on a quarterly basis, you can identify these situations and take action to modify them before the end of the plan period.

Final Review

The Chairman of the evaluation committee or his/her designate is responsible for distributing, collecting and compiling Assessment Forms (Parts I & III) from each Commission member. Normally, this process will begin approximately two months prior to the scheduled review date.

The Commissioner is responsible for reporting results from the Performance Objectives section of the plan. Since many of the results will be dependent on final financial reports, results should be provided to the Board within 15 days after the end of the plan period. The completed review will be given to the Commissioner during a formal performance review process when all data is known and calculated. The Chairman of the evaluation committee (and/or one of his/her designates) will meet with the Commissioner to give the formal review.

Timetable

The performance review should cover a Fiscal Year (September 1 through August 31). Each Commission member will receive electronic copies of both the Evaluation Form and a memorandum from the Commissioner outlining the Department's plan period accomplishments by September 15th.

It is important to create performance objectives for the new plan period before the end of the current plan. It is recommended that the performance objectives and goals for the next plan period be established in the last quarter of the current plan period.

Commissioner Compensation

The Commission has undertaken a market-based compensation strategy for the position of commissioner with an end objective of hiring and retaining a highly qualified commissioner to effectively and professionally discharge the duties of the agency.

The position of commissioner is the only position at the agency that is exempt from the State's Position Classification Plan. As the executive officer of the agency, the guidelines for the position's salary range are detailed in the Schedule of Exempt Positions, Article IX, Section 3.04, General Appropriations Act (85th Legislature). The exact salary group for the position and the compensation paid to the incumbent is determined by the Commission after review of performance

and salary comparisons through reports such as the State Auditor's Office August 2014 Report on Executive Compensation at State Agencies (Report No. 14-705) and comparable salary information of selected positions at state and federal regulatory agencies with similar responsibilities.



**CREDIT UNION DEPARTMENT
COMMISSIONER EVALUATION FORM
FY _____**

Name: _____

Date Employed _____ Date of Last Evaluation _____

I. 20__ Commission Assessment

Average results from the Commission Assessment Tally Sheet (Part I Attached) are:

$$\frac{\text{Average Points (Part I Average)}}{\text{Average Points (Part I Average)}} \times \frac{20\%}{\text{Weight}} = \frac{\text{Part I Score}}{\text{Part I Score}}$$

II. 20__ Performance Objectives

Average results from the Texas Credit Union Department Performance Grid (Part II Attached) are:

$$\frac{\text{Average Points (Part II Average)}}{\text{Average Points (Part II Average)}} \times \frac{70\%}{\text{Weight}} = \frac{\text{Part II Score}}{\text{Part II Score}}$$

III. 20__ Special Projects

Average results from the Texas Credit Union Department Performance Grid (Part III Attached) are:

$$\frac{\text{Average Points (Part III Average)}}{\text{Average Points (Part III Average)}} \times \frac{10\%}{\text{Weight}} = \frac{\text{Part III Score}}{\text{Part III Score}}$$

IV. Final Evaluation Score:

Final Evaluation Score

*** The total of the weights must equal 100%**

BASE PAY ADJUSTMENT

A base pay adjustment earned for a performance level achieved is strictly at the discretion of the Commission.

Current Base Pay:		\$	_____
Pay Adjustment:	_____ %	\$	_____
New Base Pay:		\$	_____
Effective Date:	_____		

Additional Comments: _____

Commissioner Comments: _____

Commissioner Signature & Date

Evaluation Chair Signature & Date

Part I
Credit Union Department
Commission Member Assessment Form

Commission Member: _____

Below are comments attributed to the Credit Union Commissioner. Please indicate your agreement or disagreement with the statement as follows:

Strongly						Strongly
Disagree			Agree			Agree
1-----	2-----	3-----	4-----	5		

1. The Commissioner is effective at identifying strategic long-term needs of the Department and developing and implementing plans that result in achievement of these needs. Able to execute independent action and starts working without supervision.

Rating: _____

Comments:

2. I am satisfied with the level, quality and timeliness of information and communications provided to me by the Commissioner. This includes issues that may arise between Commission meetings of which the Commission should be aware.

Rating: _____

Comments:

3. The level to which the Commissioner directs or influences the operations, activities and performance of all subordinates. Demonstrates an atmosphere of teamwork and ability to motivate others to accomplish their goals. Ensures that the most efficient use is being made of all resources, including staff.

Rating: _____

Comments:

4. The Commissioner provides adequate focus on maintaining effective relationships with the governor's office, legislators and Credit Union leaders to ensure the continued safety and soundness of the credit union industry. Works well with NCUA to coordinate efforts for compliance and NASCUS for continued accreditation.

Rating: _____

Comments:

5. The Commissioner has the technical knowledge necessary to complete the job. Has the capability to hire the necessary personnel to move the department forward to save time and money, while still ensuring the safety of the information that is necessary to examiners to complete their assignments.

Rating: _____

Comments:

6. The Commissioner maintains a professional image at all times while representing the Department. The necessary leadership skills are present to command attention and respect, while displaying confidence in their ability.

Rating: _____

Comments:

Other Comments on the Commissioner's performance this past period:

SUM OF RATINGS: _____

AVERAGE POINTS: _____

II. PERFORMANCE OBJECTIVES

For each performance category, assign a rating from 1 to 5 based on the performance rating definitions described at the bottom of the form. Next, multiply the rating assigned by the weight shown and enter the result in the "weight x rating" box (i.e. 25% x 5 = 1.25).

PERFORMANCE OBJECTIVES	ACHIEVEMENT	W E I G H T	R A T I N G	W R E A I T I G H N T G
1. Production		25%		
2. Administration		25%		
3. Budgetary		15%		
4. Legislative		25%		
5. Industry		10%		
Total Score				

PERFORMANCE RATINGS: The annual review will be classified in one of the following areas.

- 1. UNSATISFACTORY:** Employee is not performing the minimum requirements of the responsibility area in a satisfactory manner. Performance meets few or none of the key goals/standards. Improved performance is required for continuation in the position.
- 2. BELOW REQUIREMENTS:** Employee is not consistently performing all the requirements of the responsibility area. Performance is below expectations showing consistent weakness. Improved performance is necessary. Requires more than expected supervision.
- 3. MEETS REQUIREMENTS:** Employee is performing all requirements of the responsibility area. Performance is standard, although some requirements are performed above expectations and occasionally below. Performance meets most key goals/standards. Fully competent performer.
- 4. EXCEEDS REQUIREMENTS:** Employee is performing most requirements of the responsibility area consistently above expectations and significantly exceeds some requirements. Requires less supervision than expected.
- 5. SIGNIFICANTLY EXCEEDS REQUIREMENTS:** Employee is consistently performing all requirements of the responsibility area significantly above expectations. There are no weaknesses on key goals/standards. Makes significant contributions well beyond job demands.

Part II. Performance Objectives

1. Production

- Intervals between the effective dates of CU examinations shall not exceed 18 months.
- E-Time ratio shall not be less than 65% of available work time.
- 98% of reports of examination should be mailed within 21 days of last date on site.
- 100% applications submitted will be approved/denied not later than the 60th day after the date notice is published in the *Texas Register*.
- 95% of complaints will be responded to within 30 days.
- 100% of rule changes will be provided to credit unions within 60 days of adoption.
- Meet or exceed 90% of the Operating Plan's production targets within +/- 5% of the projected target.

2. Administration

- Attain and maintain at least 95% staffing level with continued emphasis on employee retention and training.
- Participate in no less than 2 job fair events within the plan period.
- Post job vacancies within 7 days of notice of upcoming vacancy.
- Non-retirement turnover not to exceed 15% for plan period.
- Continue in the implementation and assimilation technology changes to increase efficiency.
- Conduct an annual examiner conference to ensure examiners receive adequate training to perform their duties.

3. Budgetary

- Ensure agency expenditures are necessary, prudent, and within budgetary constraints.
- Present quarterly financial statements to Commission and post on agency website
- Ensure compliance with all regulatory requirements for a SDSI agency
- Ensure revenues collected are adequate to cover expenditures and provide a cash reserve that complies with Commission policies.

4. Legislative

- Submit SDSI biennial and annual report filings in a timely manner.
- Prepare materials for the Legislature as requested or required.
- Respond timely to new legislative issues or requests for information or testimony.
- Remain active and involved at the national level on supervisory issues affecting credit unions.
- Attend at least one conference or training meeting during the plan period.
- Monitor and modify Texas Administrative Code rules as necessary.

5. Industry

- Continue to develop effective communication with credit unions and interested department stakeholders.
- Maintain an ongoing awareness of credit union risk profiles and the condition of the economy.
- Maintain continued accreditation from the National Association of State Credit Union Supervisors
- Publish a monthly newsletter for the industry
- Issue Interpretations and opinions within 30 days of request
- Share monthly accomplishment report with Commission Members
- Share periodic report as needed with Commission Members

Part III
Special Projects/Other Non-Quantifiable Objectives

Commission Member: _____

Objectives	Weight	(1) Low Achievement	(2)	(3) Medium Achievement	(4)	(5) High Achievement
Hire General Counsel Find Solution to Leaking Roof Restrooms to ADA Compliance	10%	()	()	()	()	()

D

NEW BUSINESS

D. Discussion, Consideration and Possible Vote to Recommend that the Credit Union Commission Take Action to Approve the Commissioner's FY 2022 Performance Objectives and Goals.

BACKGROUND: The Commission previously created the commissioner's performance objectives for the new plan period through approval of the FY 2022 Operating Plan and Budget at the June 2021 Commission Meeting. However, the Commissioner Evaluation Committee needs to review the proposed form and methodology, including special projects objectives.

RECOMMENDED MOTION: I move that the Committee recommend that the Commission approve the proposed FY 2022 performance objectives and goals for the commissioner and the methodology the evaluation.

Performance Review

Texas Credit Union Commissioner

Instructions

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Timetable

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~~It is important to create performance objectives for the new plan period before the end of the current plan. It is recommended that the performance objectives and goals for the next plan period be established in the last quarter of the current plan period.~~

Commissioner Compensation

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and salary comparisons through reports such as the State Auditor's Office August ~~2020~~ ~~2014~~ Report on Executive Compensation at State Agencies (Report No. ~~20-706~~ ~~14-705~~) and comparable salary information of selected positions at state and federal regulatory agencies with similar responsibilities.

DRAFT



**CREDIT UNION DEPARTMENT
COMMISSIONER EVALUATION FORM**

FY _____

Name: _____

Date Employed _____ Date of Last Evaluation _____

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IV. Final Evaluation Score:

Final Evaluation Score

* The total of the weights must equal 100%

BASE PAY ADJUSTMENT

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Current Base Pay: \$ _____
Pay Adjustment: _____ % \$ _____
New Base Pay: \$ _____
Effective Date: _____

Additional Comments: _____

Commissioner Comments: _____

Commissioner Signature & Date

Evaluation Chair Signature & Date

Part I
Credit Union Department
Commission Member Assessment Form

Commission Member: _____

Below are comments attributed to the Credit Union Commissioner. Please indicate your agreement or disagreement with the statement as follows:

Strongly Disagree Agree Strongly Agree
|1-----2-----3-----4-----5|

1. The Commissioner is effective at identifying strategic long-term needs of the Department and developing and implementing plans that result in achievement of these needs. Able to execute independent action and starts working without supervision.

Rating: _____

Comments:

2. I am satisfied with the level, quality and timeliness of information and communications provided to me by the Commissioner. This includes issues that may arise between Commission meetings of which the Commission should be aware.

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Comments:

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Comments:

4. The Commissioner provides adequate focus on maintaining effective relationships with the governor's office, legislators and Credit Union leaders to ensure the continued safety and soundness of the credit union industry. Works well with NCUA to coordinate efforts for compliance and NASCUS for continued accreditation.

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Comments:

5. The Commissioner has the technical knowledge necessary to complete the job. Has the capability to hire the necessary personnel to move the department forward to save time and money, while still ensuring the safety of the information that is necessary to examiners to complete their assignments.

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Comments:

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Comments:

Other Comments on the Commissioner's performance this past period:

SUM OF RATINGS: _____

AVERAGE POINTS: _____

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DRAFT

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- 100% applications submitted will be approved/denied not later than the 60th day after the date notice is published in the *Texas Register*.
- 95% of complaints will be responded to within 30 days.
- 100% of rule changes will be provided to credit unions within 60 days of adoption.
- Meet or exceed 90% of the Operating Plan's production targets within +/- 5% of the projected target.

2. Administration

- Attain and maintain at least 95% staffing level with continued emphasis on employee retention and training.
- Participate in no less than 2 job fair events within the plan period.
- Post job vacancies within 7 days of notice of upcoming vacancy.
- Non-retirement turnover not to exceed 15% for plan period.
- Continue in the implementation and assimilation technology changes to increase efficiency.
- Conduct an annual examiner conference to ensure examiners receive adequate training to perform their duties.

3. Budgetary

- Ensure agency expenditures are necessary, prudent, and within budgetary constraints.
- Present quarterly financial statements to Commission and post on agency website
- Ensure compliance with all regulatory requirements for a SDSI agency
- Ensure revenues collected are adequate to cover expenditures and provide a cash reserve that complies with Commission policies.

4. Legislative

- Submit SDSI biennial and annual report filings in a timely manner.
- Prepare materials for the Legislature as requested or required.
- Respond timely to new legislative issues or requests for information or testimony.
- Remain active and involved at the national level on supervisory issues affecting credit unions.
- Attend at least one conference or training meeting during the plan period.
- Monitor and modify Texas Administrative Code rules as necessary.

5. Industry

- Continue to develop effective communication with credit unions and interested department stakeholders.
- Maintain an ongoing awareness of credit union risk profiles and the condition of the economy.
- Maintain continued accreditation from the National Association of State Credit Union Supervisors
- Publish a monthly newsletter for the industry
- Issue Interpretations and opinions within 30 days of request
- Share monthly accomplishment report with Commission Members
- Share periodic report as needed with Commission Members

Part III
Special Projects/Other Non-Quantifiable Objectives

Objectives	Weight	(1) Low Achievement	(2)	(3) Medium Achievement	(4)	(5) High Achievement
Hire General Counsel Find Solution to Leaking Roof Restrooms to ADA Compliance	10%	()	()	()	()	()

Commission Member: _____



Credit Union Department
State of Texas

FY 2022 Annual Operating Plan & Budget

Approved by the Credit Union Commission
June 4, 2021

FY 2022 Annual Operating Plan & Budget

INTRODUCTION

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2022 Annual Operating Plan and Budget*. This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2021-2025* 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, 2020, the Department was responsible for regulating and supervising 176 credit unions. Based on the year-end call reports, Texas-chartered credit unions held \$50.7 billion in assets or approximately 40 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 industry;
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.

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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. As part of this effort, the Department will continue to assess alternatives for measuring outcomes that help the public gauge the Department's progress in achieving its mission, as well as assisting staff in meeting their objectives.

Strategic Goal I: To Ensure a Safe and Sound Credit Union Industry

Strategic Objective 1.1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. establishing the appropriate regulatory framework;
2. being a prudent steward of Department resources;
3. ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions;
4. identifying emerging risk areas related to industry and individual credit unions;
5. complying with the examination requirements of [7 TAC Section 97.105](#);
6. resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider; and
7. taking prompt and effective enforcement actions when warranted.

Strategic Objective 1.2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues; and
2. implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 1.3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

1. utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy;
2. deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information; and
3. Providing transparency through the Department's reporting.

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Key Performance Measures

- Percentage of credit unions receiving regular examination annually
 - Target for FY 2022: **75%**
- Percentage of applications approved or denied within 60 days
 - Target for FY 2022: **100%**
- Number of state-chartered credit unions
- Number of regular examinations performed
- Percentage of credit unions with composite CAMEL ratings of 1 or 2
 - Target for FY 2022: **85%**
- Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
 - Target for FY 2022: **95%**

Internal Measures

- Number of follow-up contacts made
- Number of enforcement actions issued
- Percentage of credit unions that are “Well Capitalized” as defined by federal statute
 - Target for FY 2022: **95%**
- Percentage of reports mailed to credit unions within 25 days
 - Target for FY 2022: **98%**
- Percentage of total available work time utilized to conduct both regular and remedial examination work
 - Target for FY 2022: **65%**
- Average Cost per Credit Union Examination
- Assets Examined per Examiner Day
 - Target for FY 2022: **\$14.0 million***
- Average time to complete analysis of quarterly financial data
 - Target for FY 2022: **within 30 days after the submittal deadline for the most recent 5300 Call Report**

*Target same as FY21. Will be amended for FY22, based upon 95% of actual level realized for entire FY21.

Strategic Goal 2: To Provide 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. The Department seeks to fulfill this objective by:

1. drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions;
2. conducting the mandatory rule review in accordance with Commission’s approved plan; and

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3. implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2.2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules;
2. developing and modernizing attributes of the credit union charter and the role and status of the industry;
3. enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions; and
4. communicating attributes of the state charter within and outside the Department.

Strategic Objective 2.3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. providing a standardized application package;
2. establishing policies and procedures that provide clear and comprehensive guidance;
3. implementing and maintaining processes for prompt screening of applications; and
4. enhancing existing technology solutions that support effective application operations.

Key Performance Measures

- Percentage of rule changes provided to credit unions within 60 days after adoption
 - Target FY 2022: **100%**

Internal 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
- Percentage of interpretations/opinions issued within 30 days

- Target FY 2022: **100%**

Strategic Goal 3: Safeguard the Interest of Credit Union Members

Strategic Objective 3.1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action;
2. expanding the agency's role in resolving and/or mediating member complaints handled by the Department;
3. strengthening role in addressing member privacy, information security, and identity theft; and
4. enhancing the Department's consumer compliance examination program.

Strategic Objective 3.2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. supporting the efforts of credit unions to expand their fields of membership to include underserved and low income communities;
2. facilitating the process for credit unions to obtain a low-income designation from NCUA; and
3. participating in financial literacy efforts by the industry and other agencies.

Key Performance Measure

- Percentage of credit unions providing services to low income or underserved populations

Internal Measures

- Number of complaints processed
- Percentage of complaints responded to within 30 days
 - Target FY 2022: **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: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

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1. maintaining a comprehensive Equal Employment and Workforce Diversity Plan;
2. executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners;
3. developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs;
4. creating a leadership development program to support and enhance management succession; and
5. implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 4.2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework;
2. ensuring compliance with the rules, policies and procedures for ethical conduct by its employees;
3. ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives; and
4. leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

Internal Measures

- Percentage of exam related travel cost reduced by remote work
 - Target FY 2022: **20%**

Strategic Objective 4.3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. implementing security controls to mitigate risk and to protect confidential information;
2. improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies; and
3. achieving reliable, accurate and timely financial resources management information.

Internal Measures

- Annual examiner turnover rate
 - Target FY 2022: **16%**

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- Average regulated assets per examiner (billions)
 - Target FY 2022: **\$3.0 billion***
- Number of days of formal training attended by staff
- Number of purchases made from HUB vendors
- Percentage of purchases made from HUB vendors
 - Target FY 2022: **Professional Services - 23.7%; Other Services - 26.0%; and Commodities - 21.1%**
- Percentage of credit unions indicating quality service annually
 - Target FY 2022: **90%**
- Staffing level
 - Target FY 2022: **95%**
- Number of jobs fairs attended
 - Target FY 2022: **2**
- Turnover ratio (excluding retirements)
 - Target FY 2022: **Less than 15%**
- Accreditation by NASCUS Maintained in Good Standing
 - Target FY 2022: **Yes**
- Total Department costs relative to every \$100,000 in assets regulated
 - Target FY 2022: **\$9.44****

*Based on regulated assets as of February 28, 2021, divided by 17 examiners (fully staffed).

**Target based on FY19 cost of \$8.99/\$100k of regulated assets times 105%. FY20 actual costs were not used (\$8.02/\$100k of assets) due to examinations being conducted remotely for the last 5.5 months of the fiscal year. This resulted in restricted travel and greatly reduced costs. It is anticipated most exams in FY22 will be conducted on-site and examiner travel costs will resume.

DEPARTMENT BUDGET – FY 2022

REVENUE:		
Operating Fees		\$4,894,832 ¹
Examination Fees		
Application Fees		
Penalties		
Refund/Reimbursement of Expenditures		
Other		
TOTAL REVENUE		\$4,894,832
EXPENDITURES:		
Personnel Expenses		
Salaries and Wages	\$2,750,629	
Payroll Related Costs	899,511	
Total Personnel Expenses		\$3,650,140
Travel Expenses		
In State	\$375,073	
Out-of-State	30,000	
Commission	26,500	
Total Travel Expenses		\$431,573
Other Operating Expenses		
Professional Services/Fees	\$221,790	
Materials and Supplies	74,470	
Communications/Utilities	51,001	
Repairs/Maintenance	290,665	
Rentals and Leases	5,500	
Printing and Reproduction	2,755	
Other Expenditures	115,688	
Contingency Reserve Funding FY21	51,250	
Total Other Operating Expenses		\$813,119
TOTAL EXPENDITURES		\$4,894,832
CONTINGENCY RESERVE AFTER FY21 FUNDING		\$947,500
FULL-TIME-EQUIVALENT POSITIONS (FTEs)		31.0

¹ Budgeted operating fees will be set to cover the actual budget approved by the Commission. Any funds in excess of the prescribed Contingency Fund Reserve aggregate limit as of August 31, 2021, will also be used to reduce the operating fees for Texas credit unions during the fiscal year.

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	CUMULATIVE RESOURCES					
Budget Year	2016	2017	2018	2019	2020	2021
Authorized FTE	28.5	29.5	29.5	29.5	30.0	30.0
Actual FTE	28.0	29.0	28.5	29.0	29.0	28.0*
Budgeted Dollars	\$3,700,917	\$3,935,394	\$4,063,453	\$4,260,909	\$4,445,694	\$4,307,682
Actual Dollars Spent	\$3,455,068	\$3,850,838	\$3,874,028	\$3,903,856	\$3,898,009	TBD

**As of February 28, 2021.*

E

COMMISSIONER SUCCESSION PLAN

E. Discussion, Consideration and Possible Vote to Recommend Changes to the Commissioner Succession Plan.

BACKGROUND: Commission policy provides that in the event of a planned or unplanned departure of the commissioner, the Commissioner Evaluation Committee assumes responsibility for the succession process and serves as the Commission's search committee for purposes of carrying out the Plan.

Commission policy directs that the Committee to review the Plan periodically in the context of current affairs within and outside of the Department. Policy further prescribes that the review of the Plan should include a review of the most recent position description for the commissioner. Further, the Committee is directed to make recommendations to the full Commission for any amendments to the Plan or to the commissioner position description.

RECOMMENDED MOTION: *(Should the Committee determine that changes are necessary or advisable.)* I move that the Committee recommend that the Commission take action to approve the proposed modification to the Commissioner's Succession Plan and/or position description.

CREDIT UNION DEPARTMENT, STATE OF TEXAS COMMISSIONER SUCCESSION PLAN

Purpose. The purpose of this succession plan ("the Plan") is to have a process for choosing a Commissioner in the event of a planned or unplanned departure of the incumbent.

Definitions.

A *planned departure* is a voluntary retirement or resignation, or a resignation requested by the Commission with an effective date of thirty days or more.

An *unplanned departure* is one that results by reason of death, an immediate termination of an incumbent Commissioner by the Commission, or the inability of the Commissioner to discharge the duties of the office. An unplanned departure may also be deemed to occur in the event of the Commissioner's resignation or retirement with an effective date of less than 30 days.

Inability of the Commissioner to discharge the duties of the office can be signified upon either:

1. A written declaration of the Commissioner that he or she is unable to discharge the duties and responsibilities of the office of Commissioner; or
2. Receipt by the Commission of information, which leads the Commission to conclude, in its sole judgment, that the Commissioner is unable to discharge the duties and responsibilities of the office of Commissioner.

Implementation. When this Plan becomes operative, the Commissioner Evaluation Committee ("the Committee") shall immediately assume responsibility for the succession process. The Committee will also serve as the Commission's search committee for purposes of carrying out the Plan. As soon as possible, the Chair of the Committee shall call for a meeting of the Committee to consider its action plan. This action plan should address, at least, the following matters:

1. If the incumbent Commissioner will continue in office, the effective date of the retirement or resignation. The date should be acceptable to the Commission and the Commissioner, should provide a reasonable time to search for a successor, and should be sufficiently in the future to permit orientation of the new Commissioner and an orderly transition.
2. If the incumbent Commissioner continues in office, whether there should be a change in the authority, duties, and responsibilities of the office.
3. The extent to which the Committee wishes to call upon the incumbent Commissioner and other staff members to assist the Committee during the transition to an interim or permanent Commissioner.

4. Whether an interim Commissioner will be required and, if so, the date upon which the person should assume office.
5. The identification of possible candidates for interim Commissioner and procedures for the selection of an interim Commissioner. The job description of the Deputy Commissioner specifies that he or she may exercise the powers and prerogatives of the Commissioner during the Commissioner's absence or inability to act.
6. Whether a search should be undertaken and, if so, how broad the search should be.
7. If a search is to be undertaken, whether to engage a consultant or search firm to assist the Committee with the search, and, if so, engaging the consultant or firm in accordance with State procurement requirements.
8. The Committee should also determine the specifics of the application process such as the deadline for applications, the confidentiality of its proceedings, procedures for identifying and interviewing candidates, whether to do background checks, procedures for narrowing the list of candidates, for checking references and for final interviews, whether final interviews should be conducted by the full Commission, and procedures for making an offer of employment.

Interim Commissioner. If the Committee determines that the appointment of an Interim Commissioner is necessary or advisable, the Chair of the Commission shall call for a meeting of the Commission to consider the matter. Any person appointed by the Commission as Interim Commissioner shall have the full authority for decision-making and independent action as the incumbent Commissioner. The Interim Commissioner shall receive a temporary salary increase to the entry-level salary of the Commissioner position or to 5% above his or her current salary, whichever is greater. In no event, however, may the interim Commissioner salary exceed the amount indicated in the Appropriation Act for Department's "Schedule of Exempt Positions".

Transition Planning. In the case of any planned or unplanned departure of the incumbent Commissioner, the Chair of the Commission, the Chair of the Committee, and the incumbent or interim Commissioner shall meet as often as necessary to plan, among other matters, the following:

1. The availability of funds for the transition, including the potential compensation package to be offered to a Commissioner candidate.
2. The orderly transition of the duties and responsibilities of the office of Commissioner to any successor; and
3. The manner in which succession events (concerns with confidentiality, departure, selection process, press releases) are to be announced, including the notification of key interested persons.

Attributes. Candidates should have the requisite personal attributes for the office of Commissioner, including:

- Sufficient experience, stature, and reputation in the credit union movement, regulation, or professional life to command respect as Credit Union Commissioner.
- Professional and business management skills, preferably gained in a credit union or regulatory agency.
- Experience of relationships at Board level in one or more major bodies.
- Intellectual strength, sound business acumen, integrity, and an ability to consider and discuss issues laterally and strategically.
- Awareness of political, regulatory, market, and consumer issues together with an understanding about not-for-profit cooperative financial institutions.
- Sound interpersonal skills and an ability to make good judgments of people.

Plan Review. The Committee shall review the Plan annually in the context of current affairs within and outside of the Department. The annual review of the Plan should include a review of the most recent position description for the Commissioner. It should also include recommendations to the full Commission for any amendments to the Plan or to the Commissioner position description. In addition, after each use of the Plan, the Committee shall meet to discuss how the Plan worked and shall make recommendations for modifications to the Plan based on its experience with the Plan.

F

FUTURE MEETING DATES

F. Discussion and Consideration of a Tentative Date for Next Committee Meeting.

BACKGROUND: The next regular meeting of the Committee has been tentatively scheduled for November 3, 2022.

ADJOURNMENT