

**CREDIT UNION COMMISSION
MEETING MINUTES
MARCH 4, 2016**

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chairman Manuel “Manny” Cavazos declared that a quorum was present and called the meeting to order at 9:10 a.m. at the Texas State Capitol Extension, Room E2.030, Austin, Texas, pursuant to Chapter 551 of the Government Code. Other members present included Beckie Stockstill Cobb, Yusuf Farran, Steven “Steve” Gilman, Sherri Merket, Allyson “Missy” Morrow, Kay Stewart, Gary Tuma, and Vik Vad. Assistant Attorney General Zindia Thomas was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner and Shari Shivers, 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 22, 2016, TRD#2016001358**).

- ❖ **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. There were none.
- ❖ **B. RECEIVE MINUTES OF PREVIOUS MEETING (October 16, 2015)**. The Chairman referred the members to the draft minutes contained in the agenda packet. Mrs. Morrow moved for approval of the minutes of

October 16, 2015 as presented. Mr. Tuma 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 noted the onsite consultation report from the State Office of Risk Management (SORM) and reported that SORM had no recommended actions for the Department. Mr. Feeney also called attention to the correspondence from SORM related to the Department's Continuity of Operation Plan. He pointed out that SORM had concluded that the Plan was well written and thorough and they had no recommendations for improvements.

D. COMMITTEE REPORTS

Rules Advisory Committee -- Mr. Vad, Rules Committee Chairman, reported on the Committee's public meeting held on March 3, 2016. He explained that the Committee had four recommendations for consideration by the Commission.

(a) Discussion of and Possible Vote to Withdraw the Proposed Amendments to 7 TAC Section 91.01 (Definitions and Interpretations) and 91.301 (Field of Membership) which were Previously Published in the Texas Register and Republish for Comment Revised Proposed Amendments to 7 TAC Section 91.301 (Field of Membership). Mr. Vad noted that based upon the wide divergence of comments received on the proposed amendments, it was the Committee's recommendation that the Commission formally withdraw the proposed amendments to 7 TAC Sections 91.101 and 91.301 that were previously published in the *Texas Register*.

(b) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.301 Concerning

Field of Membership. Mr. Vad explained that the Committee was also recommending that the Commission approve for publication and comment some proposed new amendments to 7 TAC Section 91.301. He noted that the proposed amendments would (1) prescribe that political subdivisions that are within reasonable proximity of a credit union's office(s) as a presumptive "local service area"; and (2) fully implement the intent of HB 1626 related to geographic areas where there is a demonstrated need for credit union services.

(c) Discussion of and Possible Vote to Adopt the Completed Rule Review of 7 TAC Section 91.302 (relating to Election or Other Membership Vote by Electronic Balloting, Early Voting, Absentee Voting, or Mail Balloting); 7 TAC Section 91.310 (relating to Annual Report to Membership); and 7 TAC Section 91.315 (relating to Members Access to Credit Union Documents). Mr. Vad noted that the Committee had reviewed all of the rules in 7 TAC Part 6, Chapter 91, Subchapter C and it was the Committee's recommendation that the Commission find that the reasons for adopting Sections 91.302, 91.310 and 91.315 continue to exist and that these rules be readopted without changes.

(d) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 97.200 Concerning the Employee Training Program. Mr. Vad reported that during the 84th Legislative Session, HB 3337 was enacted, which established certain requirements for agency tuition reimbursement programs. He noted that in view of the new statutory requirements, it was the recommendation of the Committee that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 97.200 concerning employee training program.

Mr. Vad then made a motion, on behalf of the Rules Committee, that the Commission approve the Committee's four recommendations. Coming on a

motion of a standing committee, a second was not needed and the motion passed unanimously.

E. UNFINISHED BUSINESS

(a) Discussion and Consideration of the Department's FY 2016 Financial Performance and Possible Vote to take Action on the Department's FY 2016 Budget to Include Additional Funding of \$34,636 for FY 2015 Carryover Obligations. Commissioner Feeney reported that fiscal year-to-date revenues totaled \$1,974,728, which is \$297 more than the budgeted amount. He also noted that the contingency fund reserves as of August 31, 2015 were over the established cap by \$411,754 and that those excess funds had been used to reduce the operating fees collected from credit unions during this fiscal year. In addition, he indicated that during the first five months of the fiscal year the Department had spent \$1,379,168 to operate the agency, which is less than the amount budgeted for this period. Mr. Feeney did point out two significant budget variances:

- (1) In-state travel is over budget by approximately \$17,200; and
- (2) Professional Services and Fees is over budgeted by \$21,000.

When respect to the Professional Services and Fees variance, Mr. Feeney explained that during FY 2015 the Department had two information technology projects that were authorized and obligated but had not been completed by the end of the fiscal year (Website refresh \$8,365 and SharePoint Electronic Document Repository \$48,800). He noted that both projects were fully funded in FY 2015 (\$57,165), but only \$22,529 of the work was actually completed in that fiscal year leaving an unpaid obligation of \$34,636. Commissioner Feeney further clarified that although he believed it was the intent of the Commission to allow contractually obligated funds and the associated budget authority that had not been closed by the end of the fiscal year to be automatically carried over to the next fiscal year, it appeared that the Commission's Policies Manual requires any budget

revisions that increase the overall Department budget to receive the prior approval of the Commission. Accordingly, the Department was seeking the Commission's favorable consideration of a \$34,636 revision to the FY 2016 budget.

After a brief discussion, Mrs. Merket moved that the Commission approve the \$34,636 increase in the FY 2016 budget and authorize the Department to expend the necessary FY 2015 funds to cover the year-end carryover obligations. Mr. Gilman 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. Commissioner Feeney noted that while there are a small number of credit unions experiencing a combination of financial and operational challenges, overall Texas state credit union system's performance in calendar year 2015 continued to improve and, in general, were in line with the current economic conditions. Further, he explained that at December 31, 2015 there were 185 state-chartered credit unions with assets totaling \$34.9 billion which is an increase of \$2.5 billion since December 31, 2014 with an annualized growth rate of 10.4%. Loans totaled \$24.3 billion which is an increase of \$2.3 billion with an annualized growth rate of 10.4%. Shares totaled \$30.3 billion which is an increase of 7% since December 31, 2014. The credit unions average loan delinquency ratio was .67% as of December 31, 2014 compared to .76% at December 31, 2015. During calendar year 2015, 31 credit unions reported net operating losses. These credit unions reported aggregate negative net earnings of \$5.3 million. The remaining 154 credit unions reported aggregate net income of \$297.7 million.

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

F. NEW BUSINESS

(a) Discussion, Consideration, and Possible Vote to Approve and Authorize the Submission of the Department's Annual Internal Risk Assessment Report as Required by Section 2102, Government Code.

Commissioner Feeney noted that Section 2102.013 of the Texas Government Code requires certain state agencies that receive appropriated funds to conduct a formal risk assessment each year and submit the assessment to the State Auditor's Office. He noted that since becoming an SDSI agency, the Department had voluntarily continued compliance with this requirement. Mr. Feeney further indicated that staff had completed the internal risk review for 2016 and had prepared a written assessment of the risks along with the controls the Department has in place to mitigate those risks for submission to the State Auditor's Office.

After a brief discussion, Mrs. Morrow moved that the Commission approve the Department's Internal Risk Assessment Report for 2016 and authorize its submission to the State Auditor's Office. Mrs. Stewart seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Take Action to Approve the Proposed Amendments to the Commission's Policies Manual, as Part of its Annual Policy Review, to Revise the Ethics Standards Policy to Include an Annual Disclosure and Prohibition of Certain Contracts Requirement, to Update the Budget Policy related to Year-End Carryover of Legally Obligated Balances (Payables) and to Adopt a New Second Amendment Weapons Policy. Mr. 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 in preparation for that review, Staff has studied the various policies and is suggesting that the Commission consider changes to Sections XV

and XVIII and also add a new Second Amendment Weapons Policy in Section XX.

After a short discussion, Mr. Vad moved that the Commission approve the proposed changes to the Commission's Policies Manual as recommended by staff. Mr. Tuma seconded the motion and the motion was unanimously adopted.

Following the discussion of a Second Amendment Weapons Policy, the Commission began deliberation on whether to expressly prohibited persons who are licensed under Chapter 411, Subchapter H, of the Texas Government Code from openly carrying handguns at Commission meetings. After a brief discussion, Mr. Gilman moved to table the discussion to provide additional time for the Commission to consider the potential ramifications. Mrs. Cobb seconded the motion and the motion to table was unanimously adopted.

(c) Discussion, Consideration, and Possible Vote to Approve and Authorize the Submission of the Department's Strategic Plan for Fiscal Years 2017-2021. Commissioner Feeney reported that that Section 2056.002 of the Government Code requires that every two years each agency must submit a formal strategic plan that covers a prescribed 5-year horizon. He noted that proposed FY 2017-2021 Strategic Plan summarizes the analysis of the internal and external environment impacting the Department and credit unions, and highlights the agency's four strategic goals and supporting strategic objectives. Mr. Feeney highlighted the plan's ten major initiatives and expressed gratitude for the time, talent and expertise of the Credit Union Working Group. He noted that the ideas, input, and enthusiasm of the Credit Union Working Group were most helpful and assisted staff in making valuable improvement to the proposed plan.

After a lengthy discussion, Mrs. Morrow moved that the Commission approve the proposed Strategic Plan for fiscal years 2017-2021 and authorize its submission in the appropriate format as prescribed by the Governor and the LBB. Mrs. Stewart seconded the motion and the motion was unanimously adopted.

(d) Discussion, Consideration, and Possible Vote to Approve Proposed New Parameters for the Department's Overnight Travel Stipend.

Commissioner Feeney explained that back in 2007 (80th Regular Session), the Legislature gave the Department authority to pay an overnight travel stipend for any overnight stays in excess of 60 days out per fiscal year. At that time, no moneys were appropriated for the stipend so the payment of any stipend was predicated on the Department's ability to reduce other expenses so that sufficient funds were available at the end of the fiscal year. He noted when the Department was designated as a SDSI agency in FY 2010, the Commission incorporated the same overnight travel stipend parameters in the budget assumptions. Mr. Feeney further noted that in an effort to encourage retention and better recognize the demands and impositions that high travel imposes on examiners and their families, the Department was suggesting that the Commission consider some modifications to stipend parameters. Specifically, he suggested that Commission may want to consider: (1) creating a budget item each year for the travel stipends and (2) increase the current travel stipend cap from \$2,500 to \$5,000 for any examiner with overnight travel status in excess of 104 eligible nights.

After a brief discussion, Mr. Vad moved that the Commission direct that funding for the overnight travel stipend be a budgeted item beginning in FY 2017 and authorize the Department to pay an overnight travel stipend for any overnight stays in excess of 50 days out per year based upon the policy parameters

recommended by staff. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

(e) 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 2017 Budget. Mr. Feeney reported that the Finance Code Section 16.003 gives the Commission exclusive responsibility for approving the Department's budget each year. He noted that the budget is scheduled to be adopted at the next meeting and that staff had drafted suggested budget guidelines for the Commission's consideration.

After a brief discussion, Mrs. Merket moved that the Commission adopt the proposed budget assumptions and parameters for FY 2017 as recommended by Staff. Mrs. Stewart seconded the motion and the motion was unanimously adopted.

(f) Discussion, Consideration, and Possible Vote to Adopt Resolutions Commemorating Fellowship Credit Union, Intercorp Credit Union, Members Choice Credit Union, NCE Credit Union and Pasadena Postal Credit Union for their Contributions to the Citizens of Texas on the Respective Milestone Anniversary Dates of their Origin. Commissioner Feeney noted that in accordance with the provisions of the Commission's Policies Manual, the Commission may adopt resolutions honoring credit unions for reaching certain milestones dates. In accordance with the criteria detailed in the policy, staff was presenting five resolutions for the Commission's consideration.

After a short discussion, Mrs. Merket moved that the Commission adopt the Resolutions Commemorating **Fellowship Credit Union, Intercorp Credit Union, Members Choice Credit Union, NCE Credit Union and Pasadena Postal**

Credit Union for their Contributions to the Citizens of Texas on the Respective Milestones Anniversary of their Origin and that a copy of the appropriate resolutions be mailed to the credit unions. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

G EXECUTIVE SESSION—Mr. Cavazos stated that the Commission would be entering into Executive Session as provided under Section 551.074 of the Government Code, for the purpose of discussing certain personnel issues related to consideration of the appointment of Robert Etheridge as the new Deputy Commissioner. The Commission entered into Executive Session at 10:27 a.m. and reconvened in open session at 10:29 a.m.

Chairman Cavazos noted that no final action, decision, or vote on matters deliberated during the Executive Session was made by the members.

H. OTHER BUSINESS Vote on Matters Discussed in Executive Session:

(a) **Discussion and Possible Vote to Approve the Appointment of Robert Etheridge as the new Deputy Commissioner.** Mr. Farran made a motion to approve the appointment of Robert Etheridge as the new Deputy Commissioner. Mr. Tuma seconded the motion and the motion passed unanimously.

(b) **Next Commission Meeting** – Chairman Cavazos reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for July 8, 2016 at 9:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Cavazos adjourned the meeting at 10:33 a.m.

Manuel “Manny” Cavazos
Chair

Isabel Velasquez
Recording Secretary

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