

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
(Via video/teleconference only)
914 East Anderson Lane, Austin, Texas
March 5, 2021

A. CALL TO ORDER -- Chair Yusuf Farran called the meeting to order at 9:05 a.m. via video/teleconference, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Liz Bayless, Karyn Brownlee, Beckie Stockstill Cobb, Steven “Steve” Gilman, Sherri Merket, Jim Minge, David Shurtz, and Kay Swan. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were John J. Kolhoff, Commissioner, Robert E. Etheridge, Deputy Commissioner, and Director of Information and Technology Joel Arevalo. Chair Farran appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted with the Secretary of State **(February 22, 2021 TRD#2021001164)**.

❖ **GENERAL PUBLIC COMMENT** -- Chair Farran 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 PREVIOUS MEETING (November 6, 2020) -- The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet and asked for any proposed edits. Mrs. Bayless pointed out that the minutes did not reflect her being present in the roll call of this meeting. The chair responded that the minutes would be corrected to reflect Mrs. Bayless being present at this meeting and asked for a motion to approve the amended minutes. Mrs. Cobb moved for approval of the minutes of November 6, 2020 as corrected. Mrs. Merket seconded the motion, and the commission carried the motion unanimously.

C. DEPARTMENT'S ACTIVITIES RELATED TO COVID-19 --

Commissioner Kolhoff reported that the Department has taken significant actions in response to the COVID-19 outbreak to address the operational and supervisory aspects of their function. Due to the continuance of the health and operational hazards relating to potential COVID-19 exposure, the Department continues to follow local health agency standards to mitigate exposure to the virus. In regard to the operational impact of the virus, the Department restricted access to the office to only the necessary work staff. Office staff continues to be divided into two teams each working independent, 20-hour onsite skeleton crew shifts to limit the potential to spread the virus internally and maintain operations in the event of infection. The examination staff continues to work remotely to conduct their examinations on an ongoing basis and work with institutions to utilize the existing information-sharing tools the Department developed over the last three years to increase remote examination. The Department remains ready to enter a credit union, if necessary, to perform its duties; however, at this time all work has been effectively conducted offsite. Staff continue to conduct regular calls to credit union CEOs and to survey operational, credit, liquidity and sensitivity risks during the pandemic.

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

D. DEPARTMENT'S FY 2021 FINANCIAL PERFORMANCE –

Commissioner Kolhoff reported that in 2020 the Commission adopted a strategic plan for Fiscal Years 2021-2025. The \$4.3 million FY 2021 budget approved by the Commission in August 2020 includes the maintenance and operating and capital improvement budgets in support of the Strategic Plan. At the end of the five months ending in January 2021 total expenditures were \$1.464 million or approximately 17% below budgeted projections of \$1.756 million. Almost all lines performed below budgeted levels apart from additional technology upgrades costs for FY 2021. Mr. Kolhoff further reported that the remediation of the water intrusion issue on the west side of the building has been addressed on the external wall of the building and final finish work on the interior is scheduled for completion. The full cost associated

with this remediation project is expected to be approximately \$20,000 and is not yet reflected in the financial information presented in the meeting materials.

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

E. DEPARTMENT'S GENERAL BUDGET ASSUMPTIONS AND PARAMETERS – Commissioner Kolhoff explained that the Finance Code, Section 16.003 gives the Commission the responsibility for approving the Department's budget each year. However, since the budget must be adopted at the June meeting, staff is seeking approval of the guidelines for developing the FY 2022 budget to present at the June meeting. Furthermore, Mr. Kolhoff reported that Texas Facilities Commission (TFC) has estimated the cost to replace the office roof to be approximately \$271,000. We are working with the Comptroller's Office to establish an appropriate bid package to comply with state purchasing rules. Mr. Kolhoff reminded the Commission that no funds are appropriated for this project in the FY 2021 budget, and the current approved strategic plan calls for this project to be funded in FY 2023.

After a short discussion, Mr. Minge moved that the Commission adopt the proposed budget assumptions and parameters for FY 2022 as recommended by staff. Mrs. Brownlee seconded the motion, and the motion was unanimously adopted.

F. CREDIT UNION COMMISSION'S POLICY MANUAL, ANNUAL POLICY REVIEW — Commissioner Kolhoff reported that, in accordance with Commission policy, the Commission is required to review its policies manual at least one each year. At this time, staff has no recommendations for changes to any of the policies contained in the manual.

After a short discussion, the Commission reviewed the manual and made no modifications.

G. STATE CREDIT UNION SYSTEM – Commissioner Kolhoff indicated the information presented in the meeting packet is based on the last financial numbers available and that Mr. Etheridge would proceed with a more detailed report on the state credit union system. Mr. Etheridge reported that, overall, Texas credit unions have performed well during the pandemic and remain generally safe and sound. While a few have experienced some financial performance deterioration, most do not evidence a material decline in their financial condition/strength. Fourth quarter net income trends indicate most credit unions generated adequate earnings to cover operating costs and maintain capital strength despite asset growth exceeding net worth growth due to the impact of an influx of deposits. Furthermore, credit unions encountered rapid asset growth in 2020 driven, in part, by stimulus deposits and flight to safety. He expressed that credit unions have weathered the COVID-19 storm relatively well. It remains imperative for the Department to continue to collaborate with Texas charters to safeguard the financial interests of millions of Texans and to work cooperatively with our credit unions in order that they may endure the serious hardships they continue to face.

After a brief discussion, the commission took no formal action.

H. SUNSET REVIEW – Commissioner Kolhoff reported that after the background included in the meeting packet went out, he was notified that the senate version of our Sunset bill, SB 707, has been filed and was being sponsored by Senator Paxton’s office. Mr. Kolhoff noted having an appointment to virtually meet with the Senator’s office and Sunset review staff to discuss the language of the bill later this Friday afternoon. He expressed that he did not see anything that would be problematic or controversial.

After a short discussion, the commission took no formal action.

I. EQUAL EMPLOYMENT AND WORKFORCE DIVERSITY PLAN – Commissioner Kolhoff reported that Finance Code, Section 15.313 requires the

Commission to prepare and maintain a written policy statement to assure implementation of a program of equal employment opportunity under which all personnel decisions are made without regard to race, color, disability, sex, religion, age, or national origin. Accordingly, the policy is presented for the Commission's consideration and approval.

After a short discussion, Mrs. Merket moved that the Commission adopt the Department's Equal Employment and Workforce Diversity Plan as recommended by staff with no changes. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

J. INTERNAL RISK ASSESSMENT REPORT – Commissioner Kolhoff pointed out that Section 2102.013 of the Texas Government Code requires state agencies which meet certain requirements to conduct a formal risk assessment each year and submit the assessment to the State Auditor's Office. The Department has completed the internal risk review and has prepared the required written assessment of the risks for submission.

After a brief discussion, Mr. Gilman moved that the Commission approve the Department's Internal Risk Assessment Report for FY 2021 and authorize the submission to the State Auditor's Office. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

K. RULEMAKING MATTERS – Chair Farran reminded everyone that recommendations from a Standing Committee do not require a second for us to consider and vote on the recommendation. Chair Gilman reported on March 4, 2021, in a public meeting the Rules Committee met to discuss and consider several formal recommendations:

(1) In accordance with the Commission's Rule Review Plan, it was the Committee's determination that the reasons for adopting 7 TAC, Part 6, Chapter 97,

Subchapter A, B, C, D, E, and F continue to exist and that the Commission readopt the rules in those chapters.

(2) The Committee reviewed proposed New Rule 7 TAC, Part 6, Chapter 91, Subchapter H, Section 91.809. The proposed new rule will provide the Department approval authority and federal credit union parity to state-chartered institutions exercising authority available to Federal credit unions under NCUA R&R, §741.8.

After a lengthy discussion, Mrs. Brownlee moved that the Commission approve for publication and comment the proposed new Rule 7, TAC, Section 91.809 with amended language to Section (e). Mrs. Cobb seconded the motion, and motion was unanimously adopted.

L. Future Commission Meetings: Agenda Items, Arrangements, and Dates.

Chair Farran reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for June 4, 2021 at 9:00 a.m., in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Farran adjourned the meeting at 10:38 a.m.

Yusuf E. Farran
Chairman

Isabel Velasquez
Recording Secretary

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