

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
September 16, 2022

A. CALL TO ORDER -- Chair Jim Minge called the meeting to order at 9:05 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Texas Government Code, and declared that a quorum was present. Other members present included, Liz Bayless, David Bleazard, Karyn Brownlee, Beckie Stockstill Cobb, Sherri Merket, David Shurtz and Kay Swan. The Chair introduced general counsel Nancy Elmilady, who will serve as legal counsel for the commission at this meeting. Representing the Department staff were Interim Commissioner, Robert Etheridge, and Joel Arevalo, Director of Information and Technology. Chair Minge 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 (**September 2, 2022 TRD#2022005320**).

❖ RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES --

Chair Minge inquired if there were any requests or motions to excuse an absence. Mr. Bleazard moved to excuse commission member Yusuf Farran from the Commission meeting on September 16, 2022. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

❖ GENERAL PUBLIC COMMENT -- Chair Minge 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 MEETINGS (June 10, 2022) -- The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet and asked for any proposed edits. Hearing none, the chair asked for

a motion to approve the minutes. Mrs. Cobb moved for approval of the minutes of June 10, 2022 as presented. Mrs. Bayless seconded the motion, and the Commission carried the motion unanimously.

Chair Minge officially announced that under the Texas Open Meetings Act, Chapter 551 of the Texas Government Code the Commission may enter into Executive Session to discuss both agenda items G1 and G2. Agenda items H2 and H3 would be discussed together as well.

Chair Minge thanked the Commissioner Evaluation Committee, especially Karyn Brownlee, who put a lot of work into this process in a very short timeframe. He also thanked the Interim Commissioner, Nancy Elmilady and especially Isabel Velasquez, who was our quarterback for all this and did a great job.

Mrs. Brownlee, Chair of the Commissioner Evaluation Committee, reported on the highlights to fulfill the expectations and the succession plan; and to build succession plan as soon as possible on actions taken at the June 10 and September 15, 2022, meetings. Furthermore, Mrs. Brownlee reported that on August 5, 2022, the Committee had a public meeting to further the succession plan; and that there are two candidates being recommended for interviews by the Commissioner Evaluation Committee.

Chair Minge stated that the Commission would be entering into Executive Session as provided under Section 551.074 of the Texas Government Code to deliberate on personnel matters in this agenda item. The Commission entered Executive Session at 9:10 a.m.

At 9:16 a.m., the Commission returned to open session. Chair Minge inquired if there were any members who wished to bring forth any motion. Ms. Merket moved to approve the Committee recommendation for whom to interview for the

Commissioner's position. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

C. DEPARTMENT'S FY 2022 BUDGET AND FINANCIAL PERFORMANCE – Interim Commissioner Etheridge reported that in 2020 the Commission adopted a strategic plan for Fiscal Years 2021-2025. The \$4.8 million FY 2022 budget approved by the Commission in June 2021 includes the maintenance and operating and capital improvement budget in support of the Strategic Plan. At the end of August 2022 total expenditures were \$961,327 or approximately 20% less than budgeted projections. Aggregate expenses for each major expenditure category ended the year below budget, with only two sub-categories ending the year above budget estimates. Mr. Etheridge further reported that those sub-categories, the largest over budget variances were a result of higher than anticipated costs related to state services (SWCAP), and costs related to temporary staffing utilized for the Legal Assistant position. Mr. Etheridge reported that the significant costs savings realized for FY 2022 was due primarily to travel related savings as a result of a reduction of on-site examination work, and personnel savings due to vacancies.

After a brief discussion, the Commission took no action.

D. STATE CREDIT UNION SYSTEM – Interim Commissioner Etheridge briefly indicated the Texas economy continues to perform well, although inflationary pressures continue to increase at both the state and national levels. The unemployment rate for Texas declined to 4.1% at month-end June 2022, down from 5.0% percent six months earlier. The Texas Workforce Commission reported that Texas ended June with approximately 13.43 million non-agriculture jobs, a new Texas record, and approximately 465,000 jobs more than the pre-pandemic levels in February 2020. In addition, the unemployment rates for three of the four

metropolitan areas in Texas remains similar or below the national average of 3.8 percent.

Overall, the financial performance of Texas chartered credit unions has remained strong during the first half of 2022. Capital strength is sound, and earnings and asset quality performance ratios continue to be at their strongest levels over the last seven years. Earnings performance data for Texas credit unions reflects that strong net income performance continues to strengthen net worth ratios. Furthermore, deposit growth has slowed slightly during the first half of 2022 and, if this trend continues, will result in further enhancement of net worth positions for Texas charters.

After a brief discussion of some of the key financial trends, no formal action was taken by the Commission.

E. RULEMAKING REVIEW

(1) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter E (Direction of Affairs), and Subchapter F (Accounts and Services) and Re-adoption of Rules. Interim Commissioner Etheridge reported that Section 2001.039, Texas Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed **7 TAC, Part 6, Chapter 91, Subchapters E (Direction of Affairs); and F (Accounts and Services)**. Prior to the rule review, the Commission determined that certain changes were necessary for **7 TAC, Section 91.515**, which was published and scheduled for adoption in the next agenda item. Notice of the review and a request for comments on the rules in this Chapter were published in

the July 29, 2022 issue of the Texas Register. No comments were received regarding the review.

After a short discussion, Mrs. Brownlee moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 91, Subchapters E (Direction of Affairs); and F (Accounts and Services)** continue to exist and that the Commission readopt these rules. Mr. Shurtz seconded the motion, and the commission carried the motion unanimously.

(2) Adoption of Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter E, Section 91.515 (Financial Reporting). Interim Commissioner Etheridge noted that the purpose of the proposed amendments is to align state and federal regulatory requirements relating to small institutions implementation of Generally Accepted Accounting Principles (GAAP). The National Credit Union Administration's 12 CFR Part 702 enables institutions of \$10 million in assets or less to determine their charges for loan losses outside GAAP, by not requiring implementation of current expected credit loss (CECL). This amendment would raise the current threshold for small Texas chartered credit unions to utilize an accounting methodology outside GAAP from the current maximum asset size of \$5 million to \$10 million.

After a brief discussion, Mr. Bleazard moved that the Commission adopt the proposed amendments to rule **7 TAC Section 91.515** without changes to the proposed text as published in the *Texas Register*. Ms. Merket seconded the motion, and the commission carried the motion unanimously.

(3) Adoption of Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter I, Section 91.901 (Reserve Requirements). Interim Commissioner Etheridge reported that the proposed amendments are to amend the States reserve requirements relative to institutions whose net worth falls below 7% to align with

requirements recently amended by the National Credit Union Administration (NCUA) and found in NCUA Rules and Regulations 12 CFR Part 702.106. The requirements would require such institutions to increase “net worth” instead of the current “net worth reserves” and simplify the calculation of the amount of required earning retention by providing only a quarterly measurement regardless of the period the credit union pays dividends. Furthermore, the proposed changes would ensure State requirements to simplify the interaction of Federal and State law relative to credit unions needing to comply with this provision.

After a short discussion, Mrs. Bayless moved that the Commission adopt the proposed amendments to **7 TAC Section 91.901** without changes to the proposed text as published in the *Texas Register*. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

(4) Adoption of Proposed New Rule 7 TAC, Part 6, Chapter 97, Subchapter C, Section 97.208 (Vendor Protests). General Counsel, Nancy Elmilady, reported that the proposed rule is to set forth the Department’s procedures for resolving vendor protests relating to purchases as required by Texas Government Code, Section 2155.076, adoption of the procurement rules of the Texas Comptroller of Public accounts pursuant to Texas Government Code, Section 2156.005(d) and the negotiation and mediation of a claim for breach of contract as required by Texas Government Code, Section 2260.052(c). The Commission is proposing this new rule to replace any formal or informal policies or procedures governing the resolution of contract disputes and to carry out the requirements of Texas Government Code, Sections 2155.076 and 2156.005(d), and Texas Government Code, Chapter 2260.

After a brief discussion, Mr. Shurtz moved that the Commission adopt the proposed amendments to new **7 TAC Section 97.208** without changes to the

proposed text as published in the Texas Register. Mrs. Brownlee seconded the motion, and the Commission carried the motion unanimously.

F. LITIGATION UPDATE REGARDING PENDING LITIGATION.

General Counsel Elmilady gave an update to the Commission. No significant pleadings or public filings have occurred since the last update in June.

After a short discussion, the Commission took no action.

H. (1) Format of and Questions for Interview for Finalists for Commissioner Position. Chair Minge stated that the Commission would be entering into Executive Session as provided under Section 551.074 of the Texas Government Code to deliberate on personnel matters in this agenda item. The Commission entered Executive Session at 9:35 a.m.

At 10:24 a.m., the Commission returned to open session. Chair Minge inquired if there were any members who wished to bring forth any motion related to the Commission's discussion in Executive Session. Mrs. Brownlee moved that the Commission ask each applicant a minimum of 8 questions during the final interview with the allowance of asking relevant follow-up questions. Ms. Merket seconded the motion, and the motion was unanimously adopted.

Chair Minge informed the online and public attendees that it is anticipated this agenda item is going to be long. We are not able to give you a specific time of when we were going to reconvene, but we would anticipate that we'll be out for quite a while for this very important decision.

The Commission recessed for lunch at 10:26 a.m., and reconvened at 11:15 a.m. Mrs. Cobb informed the Commission that she will not be able to be in attendance for the rest of the afternoon meeting. Ms. Merket moved to excuse Mrs.

Cobb absence for the duration of the meeting. Mrs. Bayless seconded the motion, and the motion was unanimously adopted.

Chair Minge stated that the Commission would be entering into one Executive Session as provided under Section 551.074 of the Texas Government Code to deliberate on personnel matters in agenda items H (2) and H (3) . The Commission entered Executive Session at 11:20 a.m.

At 2:28 p.m., the Commission returned to open session. Chair Minge inquired if there were any members who wished to bring forth any motion related to the Commission's discussion in Executive Session.

Mrs. Brownlee moved that Michael S. Riepen be offered the position of Credit Union Commissioner at an annual salary of \$200,000 with a starting date of October 3, 2022.

Chair Minge reminded the Commission that by statute, the appointment of a Commissioner requires an affirmative vote of two-thirds of the membership of the Commission or, at least six votes in favor of the candidate. Mrs. Swan seconded the motion, and the motion was passed with seven "ayes" and zero "no".

I. FUTURE COMMISSION MEETINGS: AGENDA ITEMS, ARRANGEMENTS, AND DATES. Chair Minge reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for November 4, 2022 at 9:00 a.m., in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 2:35 p.m.

Jim Minge
Chairman

Isabel Velasquez
Recording Secretary

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