

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
August 11, 2023

A. CALL TO ORDER -- Chair Jim Minge called the meeting to order at 9:02 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, David Shurtz and Kay Rankin-Swan. The Chair introduced attorney general counsel Amber Wodraska who will serve as legal counsel for the commission at the meeting. Representing the Department staff were Commissioner Michael S. Riepen, Deputy Commissioner Robert W. Etheridge, Director of Information and Technology Joel Arevalo, and Executive Assistant Isabel Velasquez. 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 (**July 25, 2023 TRD#2023004274**).

B. MINUTES OF PREVIOUS MEETINGS (March 10, 2023) -- 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 March 10, 2023, as presented. Mr. Bleazard seconded the motion, and the Commission carried the motion unanimously.

Chair Minge suggested rearranging the agenda to Item D to allow additional time for the Internal Auditor to arrive.

D. (1) COMMISSION POLICY MANUAL CHANGES – Chair Bleazard of the Policy Manual Review Committee briefly reported that a committee was created to review the manual changes, to implement with within the manual

recommendations from other state agencies such as the Sunset Commission and to implement other necessary changes that arise. On March 9, 2023, the Committee met to approve the proposed changes to the commission policy manual with proposed changes to the Commission at its August meeting for adoption. A copy of the Commission Policy Manual implementing the proposed changes was distributed to all Commission members for final review.

- **Liz Bayless, Commission member**, reported on a few proposed changes to the Commission Policy Manual.
- **Melodie Durst, Executive Director, Credit Union Coalition of Texas**, questioned if there's going to be any changes made to the reserve policy. Chair Minge responded that the reserve policy was revised last year, and perhaps take another look at the policy further, but not at this point. Furthermore, Mr. Minge reported that the changes made last year would stand for a little bit more before we went back again for further revisions.

After a brief discussion, Mrs. Bayles moved that the Commission approve and adopt the proposed changes to the Commission Policy Manual as discussed at today's meeting. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

Chair Minge expressed his thanks and hard work to the Committee, especially David Bleazard and Karyn Brownlee for this was a long process to complete and feels good to be done.

C. (1) DISCUSSION AND POSSIBLE VOTE FOR THE COMMISSION TO APPROVE THE INTERNAL AUDIT CHARTER.

(2) DISCUSSION AND POSSIBLE VOTE FOR THE COMMISSION TO APPROVE THE SUBMISSION OF THE ANNUAL INTERNAL RISK ASSESSMENT REPORT.

(3) DISCUSSION AND POSSIBLE RECOMMENDATION FOR THE COMMISSION TAKE ACTION ON THE PROPOSED FY 2024 INTERNAL AUDIT PLAN.

(4) DISCUSSION AND POSSIBLE RECOMMENDATION FOR THE COMMISSION TO TAKE ACTION ON THE FY 2023 ANNUAL INTERNAL AUDIT REPORT.

Chair Swan reported that as part of the Sunset review it was recommended that our agency implement an internal audit program. After a lengthy process and successfully completing the procurement requirements the audit contract was awarded to Weaver and Tidwell in March. Mrs. Swan further reported that the Audit Committee reviewed the Internal Audit Charter, Internal Risk Assessment Report, the Proposed FY 2024 Internal Audit Plan, and the FY 2023 Annual Audit Internal Report.

Daniel Graves with Weaver & Tidwell provided at the August 10th Audit Committee meeting with a detailed review of the process that have taken place so far. Mr. Graves and Commissioner Riepen shared that this process has included meetings onsite for input providing the Audit firm an overview of the agency's risk management, internal controls processes, and procedures already in place. As a result of these meetings, the staff and Auditors have provided the Committee with a proposed Audit Charter and Audit Plan. The Risk Assessment provides us with the weighted risks rated and sorted high to low with the probability and impact they could have on the agency. The audit areas are summarized for FY 2024, 2025 and 2026.

Mrs. Swan asked that before the vote takes place on the Audit Committee's recommendations for approval of the Audit Charter, Risk Assessment, the FY 2024 Internal Audit Plan, and the FY 2023 Internal Audit Report, to allow Mr. Graves with Weaver & Tidwell share with the full Commission his overview of their process and where we are at this point. Mr. Graves reported that based on our August 10th meeting we did have a few amended documents and have been redistributed this morning.

After a lengthy discussion, Mrs. Swan moved that the Commission approve the Internal Audit Charter, the Annual Internal Risk Assessment Report, the FY 2023 Annual Internal Audit Report, and the FY 2024 Internal Audit Plan. Mr. Shurtz seconded the motion, and the Commission carried the motion unanimously.

E. DISCUSSION AND CONSIDERATION OF THE DEPARTMENT'S FY 2023 BUDGET AND FINANCIAL PERFORMANCE – Commissioner Riepen reported that in 2022 the Commission adopted a strategic plan for Fiscal Years 2023-2027. The \$5.0 million FY 2023 budget approved by the Commission in June 2022 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan. At the end of the nine months total expenditures were \$614.3 thousand or approximately 17 percent less than budgeted projections of \$3.68 million. Almost all expense categories performed below budgeted levels. Due to personnel vacancies, total personnel expenses accounted for about 50 percent of the budget variance. Other below budget items include travel related savings and Professional Services and Fees.

A brief discussion, the Commission took no action.

F. DEPARTMENT'S OPERATING PLAN AND BUDGET FOR FISCAL YEAR 2024. – Commissioner Riepen explained that consistent with the Budget Assumptions approved by the Commission, the following pages detail a proposed

budget for FY 2024 of \$5,556,986 which represents a 9.88% increase from the FY 2023 budget. The proposed budget includes strategic initiative funding for the costs related to a conversion of the Department's existing database (\$180,500), an equity adjustment for Department staff based on House Bill 1 – General Appropriations Act (\$163,507), funding for anticipated promotions and merit increases (\$62,469), the addition of a Field Supervisor position in the second quarter of FY 2024 (\$135,373), the addition of an Assistant to the Executive Assistant to the Commissioner during the second half of the FY 2024 (\$32,588), and potential increases in internal audit costs if services/audits are added or expanded (\$10,000). The budget also includes capital improvement funding of \$9,000 for the addition of two modular office cubicles and \$30,000 to maintain our internal network infrastructure.

- **David Bleazard, Commission member** asked one additional question not related to the budget, but in regards that in the last few years we have spent a lot of time discussing the roof and we are not do anything until 2025. Deputy Commissioner Etheridge responded that TFC came out and reported the roof did not need to be replaced, but repaired and the estimated cost was between \$10,000 to \$15,000 before inflationary times hit. Mr. Bleazard explained that he understood that nothing was done in 2023 but waiting until 2025, is not wise and we should put it behind us.

Mr. Bleazard encouraged Commissioner Riepen taking another look at this and if budget provides for repairs and maintenance for Fiscal Year 2024 let's consider doing this and put it behind us in terms of repairs.

- **Melodie Durst, Executive Director, Credit Union Coalition of Texas**, offered her appreciation for the discussion today. She believes it has been a great dialogue. She appreciated the interest in this process, but also wanted to thank the Commissioner, and Deputy Commissioner by spending a lot of

time with her and colleague Suzanne from the Cornerstone League going over the budget. Furthermore, she wants the Commission to know that she had the opportunity earlier to discuss and talk about these initiatives and how much it was appreciated.

- **Suzanne Yashewski, Regulatory & Compliance Counsel**, second everything Melodie Durst said. She appreciated the communication in the process. She believed that the items increased in this current budget are legitimate issues. It is so important to continue the dual chartering system and an essential part of that is having good examiners who are well trained. The longer we can keep them on staff, the better they are going to serve the community. She believes it is important to look at increasing to be competitive with other state agencies and with the federal agencies as well.

After a lengthy discussion, Mrs. Brownlee moved that the Commission adopt the proposed FY 2024 Operating Plan and Budget, with a total budget of \$4,446,986 and 35 FTEs. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

G. RULEMAKING MATTERS

(1) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter C (Members); Subchapter P (Other Forms of Equity Capital); and Subchapter Q (Access to Confidential Information) and Re-adoption of Rules. Commissioner Riepen reported that Section 2001.039, Texas Government Code, requires that a state agency review and consider for readoption 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,**

Subchapter C (Members); Subchapter P (Other Forms of Equity Capital); and Subchapter Q (Access to Confidential Information). Notice of the review and a request for comments on the rules in these chapters were published in the March 10, 2023, issue of the *Texas Register*. No comments were received regarding the review.

After a short discussion, Mrs. Cobb moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 91, Subchapter C (Members); Subchapter P (Other Forms of Equity Capital); and Subchapter Q (Access to Confidential Information)** continue to exist and that the Commission adopt these rules. Mr. Bleazard seconded the motion, and the Commission carried the motion unanimously.

H. STATUS OF THE STATE CREDIT UNION SYSTEM – Deputy Commissioner Etheridge briefly indicated Texas economy performance and outlook continues to be strong. The unemployment rate for Texas as of May 31, 2023, was 4.1 percent, which was slightly above the 3.8 percent level from a year ago, but below the 5.0 level at year-end 2021.

Overall, the financial performance of Texas chartered credit unions has been exceptional for each of the last two calendar years. The first quarter results for 2023 reflect a continuation of strong operating performance trends, with sound capital strength and favorable loan quality trends reported. Net worth ratios for Texas chartered credit unions continue to strengthen and loan delinquency and loss trends are at some of the lowest levels in over seven years. While the outlook for the Texas industry appears positive based on current financial performance trends, it will remain imperative for credit unions and their management teams to adapt to the ever-changing economic trends (i.e., inflation, etc.), and political implications (i.e., local, national, and worldwide) to safeguard the financial interests of millions of Texans.

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

I. RESOLUTIONS OF APPRECIATION FOR OUTGOING COMMISSION MEMBERS SHERRI MERKET AND YUSUF FARRAN –

Commissioner Riepen indicated that it is the practice of the Commission to adopt resolutions of appreciation to recognize the service of Commission members upon the completion of their terms of office.

After a short discussion, Mr. Bleazard moved to approve the Resolutions of Appreciation for Outgoing Commission Member Sherri Merket and Yusuf Farran, as presented, and directed that a copy of the appropriate resolutions be given to the former members as a token of the Commission's appreciation. Mrs. Cobb seconded the motion and the Commission carried the motion unanimously.

J. DISCUSSION AND CONSIDERATION OF THE CHAIR'S DESIGNATION OF A VICE CHAIR –

Chair Minge indicated that as required by Commission policy, the Chair must designate a Vice Chair. The Vice Chair serves at the will of the Chair and performs the duties of the presiding officer in the event of an absence or disability. Furthermore, our new policy allows for a nomination from the floor, which is what I would like to do today. Chair Minge asked if anybody would make a nomination from the floor for a Vice Chair. Mr. Bleazard nominated Liz Bayless as Vice Chair of the Commission. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

K. PENDING LITIGATION – Commissioner Riepen reported to the Commission that since the last meeting report, there have been no significant updates.

L. AGENDA ITEMS, ARRANGEMENTS, AND DATES. Chair Minge reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for Friday, November 3, 2023, at 9:00 a.m., in Austin. Mr. Minge inquired if anyone had any suggested agenda items for our November 3rd meeting. Mrs. Brownlee replied we should talk about fees.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 10:50 a.m.

Jim Minge
Chairman

Isabel Velasquez
Recording Secretary

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