

**CREDIT UNION COMMISSION
MEETING MINUTES
FEBRUARY 21, 2014**

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. in the Capitol Extension, Room E2.010 of the Texas State Capitol, Austin, Texas, pursuant to Chapter 551 of the Government Code. Other members present included Gary Janacek, Sherri Merket, Rob Kyker, Kay Stewart, Gary Tuma, and Vik Vad. Missy Morrow was absent due to a scheduling conflict. Assistant Attorney General Nancy Fuller was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, Daniel J. Buckley, Deputy Commissioner, and Stacey McLarty, 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 11, 2014, TRD#2014001045**). Without objection, the Chair reserved the right to rearrange agenda items as necessary.

- **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. Mr. Kyker moved to excuse the absence of Missy Morrow. Ms. Merket seconded the motion, and the motion was unanimously adopted.

Chairman Cavazos requested a second motion to excuse Mr. Tuma's absence at the next Commission meeting. Mr. Kyker moved to excuse the absence of Gary Tuma from the meeting on June 20, 2014. Ms. Stewart seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (October 18, 2013) --

The Chairman referred the members to the draft minutes contained in the agenda packet. Mr. Yoggerst pointed out a typographical error related to his arrival time at the meeting. He noted that he arrived at 8:05 a.m. not 8:05 p.m. Mr. Yoggerst moved for approval of the minutes of October 18, 2013, as corrected; Mr. Kyker seconded the motion, and the motion was unanimously adopted.

C. COMMUNICATIONS

The Chairman referred the members to the correspondence contained in the agenda packet. Commissioner Feeney noted the letter from the Speaker of the House reiterating the importance of appropriate oversight by all Texas Commissions and Boards. He also pointed out the certification from the Texas Workforce Commission that the Department's Equal Employment & Workforce Diversity Plan was compliant with the appropriate statutes. And finally, Mr. Feeney briefly highlighted the Interim Committee Charges for the House Committee on Investments and Financial Services. No formal action was taken.

D. COMMITTEE REPORTS

Rules Advisory Committee -- Mr. Kyker, Chair of the Rules Committee, reported on the Committee's public meeting held on February 20, 2014. He provided an overview of all Committee recommendations:

(a) Discussion, Consideration, and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.401 Concerning Purchase, Lease, or Sale of Fixed Assets.

Committee Chair Kyker explained that the recommendation was for the Commission to adopt the proposed amendments to 7 TAC Section 91.401 without changes to the proposals previously published in the Texas Register. He reported that no written comments were received on the proposal.

(b) Discussion, Consideration, and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.405 Concerning Records Retention and Preservation.

Committee Chair Kyker explained that the recommendation was for the Commission to adopt the proposed amendments to 7 TAC Section 91.405 without changes to the proposals previously published in the Texas Register. He reported that no written comments were received on the proposal.

(c) Discussion, Consideration, and Possible Vote to Repeal 7 TAC Part 6, Chapter 91, Subchapter K (relating to Residential Mortgage Loan Originators Employed by a CUSO) in its entirety.

Committee Chair Kyker explained that the recommendation was for the Commission to repeal 7 TAC Part 6, Chapter 91, Subchapter K in its entirety as previously published in the Texas Register. He reported that no written comments were received on the proposal.

(d) Discussion, Consideration, and Possible Vote to Readopt 7 TAC Part 6, Chapter 93 (relating to Administrative Proceedings) in its entirety.

Committee Chair Kyker explained that the recommendation was for the Commission to find that the reasons for initially adopting the rules contained within 7 TAC Part 6, Chapter 93 continue to exist and that all of those rules be readopted without change. He reported that no written comments were received on these rules during the review.

(e) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.501 Concerning Director Eligibility and Disqualification.

Committee Chair Kyker explained that the recommendation was for the Commission to approve for publication and comment the proposed amendments to 7 TAC Section 91.501. He noted that the proposed amendments requires credit unions to develop and implement an annual plan to provide continuing education for its board of directors. He further indicated that the proposal would allow each credit union to tailor its annual plan to the individual needs of each director and the operations of the credit union.

(f) Discussion of and Possible Vote to Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.502 Concerning Director/Committee Member Fees, Insurance, Reimbursable Expenses, and Other Authorized Expenditures.

Committee Chair Kyker explained that the recommendation was for the Commission to approve for publication and comment the proposed amendments to 7 TAC Section 91.502. He noted that the proposed amendments require credit union to disclose the payment of director fees to the credit union's membership and grant enforcement authority to the Department to limit or prohibit a particular credit union from paying director fees if circumstances warrant.

Mr. Kyker then made a motion on behalf of the Rules Committee that the Commission adopt all Committee recommendations as previously explained. A second was not needed and the motion passed unanimously.

E. UNFINISHED BUSINESS

(a) Discussion and Consideration of the Department's FY 2014 Budget. Commissioner Feeney directed the Commission to the financial statements for January. He noted that for the first five months of FY 2014, operating income totaled \$1,827,265, which is \$27,537 more than the year-to-date budgeted amount. He also pointed out that the funds held in Contingency Fund Reserves as of August 31, 2013 was \$188,657 over the cap. In accordance with Commission policy, he explained that those excess funds will be used to reduce the operating fees for credit unions this fiscal year. Accordingly, the Department will only collect \$2,835,729 from credit unions this year instead of the budgeted \$3,024,386.

During the same five-month period, he noted that approximately \$1,139,946 was spent operating the Department, which is \$117,677 below the year-to-date budget. Mr. Feeney also explained that to date there have been no cost overruns on the parking lot project and the project should be completed on or about the first week in April.

(b) Discussion and Consideration of Current Status of the Financial Services Market and the Effect on Credit Unions Regulated by the Department. Deputy Commissioner Buckley reported that Texas credit unions continue to report favorable results. He explained that the number of active state-chartered credit unions was 189 with total assets of \$30.5 billion, which is an

increase of \$2 billion since year-end 2012. Mr. Buckley also highlighted various ratios and other financial statistics. 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 the Texas Government Code requires smaller agencies to conduct a formal risk assessment each year and submit the written assessment to the State Auditor's Office. He noted that Staff had completed the internal risk assessment and has prepared a written assessment of the risks along with the controls the Department has in place to mitigate those risks for submission to the Auditor's Office.

After a short discussion, Mr. Tuma moved that the Commission approve the Department's Internal Risk Assessment Report and authorize its submission to the State Auditor's Office. Mr. Vad seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Adopt the Proposed Amendments to the Commission's Policies Manual, as Part of its Annual Policy Review to Revise the Policies on Designation of a Vice Chair, Commission Member Travel, Ethical Standards, Use of Technology, Budget, and the Commissioner Succession Plan. Commissioner Feeney indicated that in accordance with Commission's Policy, the Commission is required to review its policies manual at least once each year. He reported that staff is recommending that the Commission make various changes, including:

- Converting the vice chair from an elected position to a designation made by the Chair of the Commission;
- Changing the guidelines for reimbursement of meals and lodging from the General Appropriations Act to the locality-based rates approved by the Office of the Comptroller of Public Accounts;
- Integrating the General Counsel position into the specific restrictions that deal with lending transactions and deposit relationships with credit unions;
- Clarifying that full-time equivalent, or FTE is not the same as authorized positions and instituting a new cap on employment levels; and
- Switching the required review of the Commissioner Succession Plan from an annual event to one that is performing periodically at the Committee's discretion.

After a brief discussion, Mr. Yoggerst moved that the record reflect that the Commission reviewed its policies manual and approved the proposed changes as recommended by staff. Ms. Stewart seconded the motion and the motion was unanimously adopted.

(c) Discussion, Consideration, and Possible Vote to Approve and Authorize the Submission of the Department's Strategic Plan for Fiscal Years 2015-2019. Commissioner Feeney reported that the Texas Government Code requires that every two years each agency must submit a formal strategic plan that covers a prescribed 5-year horizon. With the aid of internal and industry working groups, he noted that the proposed FY 2015-2019 Strategic Plan summarizes the analysis of the internal and external environment impacting credit unions and the Departments, and highlights the agency's four strategic goals and supporting strategic objectives. Mr. Feeney highlighted the substantive changes from the 2013-2017 Plan including:

1. The strategic initiative to increase examiner resources.

2. The strategic initiative to better identify, train, and nurture the next generation of examiners.
3. The strategic initiative to improve the Department's efforts to retain and develop experienced examination staff through a restructuring of supervisory duties and a greater emphasis on mentoring and specialized training.
4. The strategic initiative to use third parties as contractors to supplement the skills available in current examination staff.
5. The strategic initiative to increase resources related to consumer assistance.
6. The strategic initiative to increase the use of electronic tools and documents in the daily functions of the agency to improve the quality and efficiency of agency activities.

After a lengthy discussion, Mr. Yoggerst moved that the Commission approve the draft of the Strategic Plan for the Department for Fiscal Years 2015-2019 and authorize its submission in the format dictated by the Governor and the LBB. Ms. Merket seconded the motion and the motion was unanimously adopted.

(d) 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 2015 Budget. Commissioner Feeney indicated that Finance Code Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. He noted that staff is seeking approval of guidelines for developing the FY 2015 budget to be presented at the next meeting.

A lengthy discussion ensued regarding examiner retention and compensation issues. Mr. Tuma suggested that guidelines should include the development of a plan to address the examiner compensation issues. He also indicated that this plan should also include a mechanism to ensure that the compensation levels keep pace with the market. It was the consensus of the Commission that staff should develop a compensation plan for the examination

staff and the proposed FY 2015 Budget should include proper funding for the plan.

Mr. Tuma moved that the Commission adopt the proposed FY 2015 budget assumptions and parameters to include the previous discussed examiner compensation issue. Mr. Janacek seconded the motion and the motion was unanimously adopted.

(e) Discussion, Consideration and Possible Vote to Adopt Resolutions Commemorating Gulf Credit Union, and Keystone Credit Union for their Contributions to the Citizens of Texas on the Respective Milestone Anniversary Dates of their Origin. Commissioner Feeney explained that in accordance with policy, the Commission may adopt resolutions honoring credit unions for reaching certain milestones dates. He noted that the Department was presenting two resolutions to honor 50 and 75 years of service.

After a brief discussion, Mr. Kyker moved that the Commission adopt the resolutions commemorating **Gulf Credit Union** and **Keystone Credit Union** for their contributions to the citizens of Texas on the respective milestone anniversary of their origin and that a copy of the appropriate resolution be mailed to the credit unions. Ms. Merket seconded the motion and the motion was unanimously adopted.

(f) Discussion, Consideration, and Possible Vote to Elect a Vice-Chair to Serve a One-Year Term Expiring in February, 2015. Mr. Cavazos indicated that in accordance with the recently adopted changes to the Commission's Policy the Vice Chair is no longer an elected position. He indicated that the record should reflect that the Chair has designated Rob Kyker as Vice-

Chair to serve as presiding officer of the Commission during the absence or inability of the Chair.

G. EXECUTIVE SESSION -- Mr. Cavazos stated that the Commission would be entering into Executive Session as provided under Section 551.071 of the Government Code to consult with legal counsel concerning pending litigation. The Commission entered into Executive Session at 10:17 a.m. and reconvened in open session at 10:22 a.m.

H. OTHER BUSINESS

(a) **Vote on Matters Discussed in Executive Session** – There was none.

(b) **Next Commission Meeting --** Chair Cavazos reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for June 20, 2014 at 8:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Cavazos adjourned the meeting at 10:24 a.m.

Rob Kyker
Vice-Chair

Isabel Velasquez
Recording Secretary

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