



CREDIT UNION COMMISSION
Commissioner Evaluation Committee Meeting
Credit Union Department Building
914 East Anderson Lane
Austin, Texas

Thursday, November 7, 2024
1:00 p.m.

* * * AGENDA * * *

This meeting of the Texas Credit Union Commission’s Commissioner Evaluation Committee will be held at the Credit Union Department Building at 914 E. Anderson Ln., Austin, Texas 78752 and is open to the public. Only onsite testimony will be allowed; however, the meeting will be transmitted live through a link on the Department’s webpage at www.cud.texas.gov on the day of the meeting, November 7, 2024, at 1:00 p.m.

An electronic copy of the agenda is now available at www.cud.texas.gov under Credit Union Commission, Commission Meetings, along with a copy of the meeting materials. A recording of the meeting will be available after November 17, 2024. To obtain a recording, please contact Isabel Velasquez at 512-837-9236.

Public comment on any agenda item or issue under the jurisdiction of the Credit Union Commissioner Evaluation Committee is allowed. Unless authorized by a majority vote of the meeting quorum, the comments of any persons wishing to address the Committee will be limited to no more than ten (10) minutes.

The Committee may discuss and/or take action regarding any item on this agenda.

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A. Call to Order (1:00 p.m.) – Committee Chair Karyn Brownlee	4
1. Ascertain Quorum	
2. Appoint Recording Secretary	
3. Acknowledge Guests	
4. Invitation for Public Input	
B. Receive and Approve Minutes of the Commissioner Evaluation Committee’s Meeting on November 2, 2023	7
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D. FY 2025 Commissioner Performance Goals and Evaluation Process	26

Commissioner Evaluation Committee Meeting

November 7, 2024

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E. Future Committee Meeting Dates and Agenda Items

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Adjournment

Executive Session: The Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Recess: In the event the Commission does not finish deliberation of an item on the first day for which it was posted, the Commission might recess the meeting until the following day at the time and place announced at the time of recess.

Meeting Accessibility: Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Joel Arevalo, Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752--(512) 837-9236, as far in advance of the meeting as possible.

A

CALL TO ORDER

**TEXAS CREDIT UNION COMMISSION
COMMISSIONER EVALUATION COMMITTEE**

- *Karyn Brownlee, Chair*
- *Kay Swan*
- *David Shurtz*
- *Jim Minge, Ex-officio*

Legal Counsel

- *Karen L. Miller*

Staff

- *Michael S. Riepen*
- *Joel Arevalo*
- *Isabel Velasquez*

B

COMMISSIONER EVALUATION COMMITTEE
MEETING MINUTES

A draft copy of the minutes of the Committee's meeting held on November 2, 2023, is located under **Tab B**.

RECOMMENDED ACTION: The Department requests that the Commission approve the minutes as presented.

RECOMMENDED MOTION: I move that the minutes of the Committee's November 2, 2023, meeting be approved as presented.

**CREDIT UNION COMMISSION
COMMISSIONER EVALUATION COMMITTEE
MEETING MINUTES**

November 2, 2023

A. CALL TO ORDER – ASCERTAIN A QUORUM – Chair Karyn Brownlee called the meeting to order at 1:01 p.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 were Kay Swan, and David Shurtz. Staff member in attendance was Michael S. Riepen, Commissioner. Chair Brownlee appointed Isabel Velasquez as recording secretary. Chair Brownlee introduced Karen L. Miller, General Counsel for the Department, who will serve as legal counsel for the committee at this meeting. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted (**October 17, 2023, TRD#2023005981**).

➤ **GENERAL PUBLIC COMMENT** – Chair Brownlee invited comment and no public comments were received.

B. APPROVAL OF MINUTES OF PRIOR MEETING (November 3, 2022).

Mrs. Swan moved to approve the minutes of November 3, 2023, as presented. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

C. FY 2023 Commissioner Performance Evaluation and FY 2024 Remuneration for the Commissioner - Chair Brownlee stated that it is the Committee's responsibility to develop, establish, and review the policies and forms used to carry out the Commissioner's annual performance review. It is also the Committee's responsibility to make recommendations to the Commission with respect to the establishment of performance standards for the coming fiscal year, because this work relates to the evaluation and continued employment of our Commissioner. At this time the Committee would be entering into Executive Session as provided under Section 551.074 of the Texas Government Code for personnel matters to discuss this agenda item. The Committee entered Executive Session at 1:04 p.m.

At 3:39 p.m., the committee returned to open session. Chair Brownlee inquired if there were any members who wished to bring forth any motion related to the Committee's discussion in executive session.

Mr. Shurtz moved that the Committee recommend that the Commission take action to approve the proposed FY 2023 performance evaluation and FY 2024 remuneration for the commissioner. Mrs. Swan seconded the motion, and the motion was unanimously adopted.

D. FY 2024 Commissioner Performance Goals and Evaluation Process - Chair Brownlee inquired if there were additional motions the Committee would like to make at this time.

Mrs. Swan moved that the Committee approve and recommend the performance standards included in the FY 2024 performance evaluation process and plan at the upcoming commission meeting. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

E. Future Meeting Date (Next Tentative Scheduled Committee Meeting) –

Chair Brownlee announced the next meeting of the Committee has been tentatively scheduled for October 31, 2024.

There being no other business to come before the committee, the meeting adjourned at 3:42 p.m.

Karyn Brownlee
Chair

Isabel Velasquez
Recording Secretary

Distribution:

Legislative Reference Library

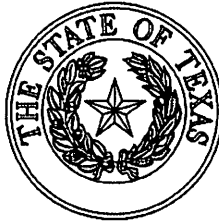
C

NEW BUSINESS

C. Recommend that the Credit Union Commission Approve the Proposed FY 2024 Performance Evaluation and FY 2025 Remuneration for the Commissioner.

BACKGROUND: Commission policy calls for an annual performance review of the commissioner. Accordingly, the Commission will be expecting a recommendation from the committee relative to the FY 2024 performance evaluation and FY 2025 remuneration for the commissioner.

RECOMMENDED MOTION: I move that the Committee recommend that the Commission take action to approve the proposed FY 2024 Performance Evaluation and FY 2025 remuneration for the commissioner.



CREDIT UNION DEPARTMENT COMMISSIONER PERFORMANCE EVALUATION PROCESS

Per the Texas Credit Union Commission's Policy Manual, the Evaluation Committee will coordinate an annual review of the Credit Union Commissioner's performance. Each annual review will reflect the Commissioner's leadership of the Department during the recently completed Fiscal Year. The purpose of this annual review is to ensure the effective management and oversight of the Texas Credit Union Department, to consider adjustments to the Commissioner's salary, and to set leadership goals with the Commissioner for the ensuing year. The evaluation process will begin at the Fiscal Year end (August 31,) and will culminate at the last regularly scheduled Commission meeting of the calendar year.

This process is fully outlined in this document and is to be updated yearly as necessary and as instructed within. The process includes the Commissioner Performance Evaluation Tool (Parts I-V,) the Commissioner Performance Evaluation Report, and the Commissioner Performance Evaluation Decision (Re: Commissioner Renumeration.)

At the close of the Fiscal Year, the Commissioner shall complete Part I: Self-Evaluation of the Commissioner Performance Evaluation Tool according to the instructions given and shall send all required information in electronic form to the Commission Members by September 30. (The Part I submission shall include at a minimum: completed tables from Parts II and III with FY actual results, self-scores, leadership goal documentation, written reflections, and proposal of new goals.) The Chair of the Evaluation Committee shall communicate with the Commissioner and Executive Assistant to confirm this important step occurs.

After this, the Chair will work with the Executive Assistant to ensure the immediate distribution of this Commissioner Performance Evaluation Process document (as approved for the fiscal year under review) to all Commission Members for their use. Additionally, the Executive Assistant should resend the monthly accomplishment documents for all 12 months of the FY under review. Subsequently, the Commission Members shall refer to the Commissioner's submission of Part I: Self-Evaluation to individually complete Parts II, III and IV. They may choose to also use any other documentation available to them. Members shall return their completed Performance Evaluation Tools Parts II, III and IV directly to the Chair of the Evaluation Committee to provide confidentiality and protect the integrity of this process. Tools shall be sent to the Chair of the Evaluation Committee by October 20.

The Chair of the Evaluation Committee will then compile results in preparation for an annual Evaluation Committee meeting to be held during the week of the last regularly scheduled Commission meeting of the calendar year. The Committee shall discuss the results in Executive Session and prepare two recommendations for the Commission. These shall include: 1) adoption of the Committee's reporting of results for the Commissioner Performance Evaluation, and 2) adoption of the Commissioner Performance Evaluation Process document for the ensuing fiscal year as updated by the Evaluation Committee. These recommendations shall be presented to the Commission for consideration and approval at the last regularly scheduled Commission meeting of the calendar year, typically held in November.

The Commission should address the recommendations above and discuss in Executive Session the Commissioner's Renumeration for the coming year. The Commissioner is the only position at the Department that is exempt from the State's Position Classification Plan. The Credit Union Commission has sole authority to determine the salary for this position. It is prudent for the Commission to make current salary comparisons through reports such as the State Auditor's Office August 2020 Report on Executive Compensation at State Agencies (Report No. 20-706) and comparable salary information of selected positions at state and federal regulatory agencies with similar responsibilities. Currently, the Commissioner's salary state position classification is 6.

The Chair of the Evaluation Committee will meet with the Commissioner immediately following the Commission Meeting for necessary signatures and ensure appropriate filing of documents. The Commissioner and Executive Assistant will send the required copies to the appropriate individuals and departments. The originals shall be kept on file at the Department.



Mike Eval My Word
Doc Commissioner F

CREDIT UNION DEPARTMENT
COMMISSIONER PERFORMANCE EVALUATION TOOL
Credit Union Commissioner: Mike Riepen
Fiscal Year of Evaluation: September 1, 2023-August 31, 2024

Part I. Self-Evaluation (Must be completed by Commissioner)

A. Documentation

Review and respond to Part II: Objective Evaluation. Complete Table A with actual results for FY 2024 and score your performance using the scoring key provided. Complete Table B by scoring yourself on each leadership goal, noting what type of documentation you are including with your submission. All data and documentation, as well as your self-scores, will be reviewed by each Commission Member as they complete their individual evaluation of your performance.

B. Reflection

Review and respond to Part III: Subjective Evaluation. Score your performance using the scoring key provided. Choose 2-3 items in each of the three sections and provide written reflections. This is your opportunity to explain your reasoning for the scores you have given yourself. You may provide additional documentation or information if you choose, but it is not required. Your self-scores, written reflections and any additional documentation will be reviewed by each Commission Member as they complete their individual evaluation of your performance.

C. Projection

Write at least three or more leadership goals for the ensuing fiscal year for the Evaluation Committee's consideration.

First, consider these guiding questions and others that may come to mind. You may share your written thoughts with the committee or keep them to yourself.

- What are the top five priorities of the Department at present?
- What are the needs of your staff?
- What obstacles did you encounter this year?
- How can your leadership style be improved and made more effective?
- Are there any books or professional development programs you would like to pursue?

After reflecting on the questions above, propose your new leadership goals for next year. The Committee will review your input as they prepare their recommendations to the Commission.

Write your proposed goals with the starter, "The Commissioner will..."

- ✓ What leadership goals would you propose for yourself for FY 2025? (Minimum 3)

Part II. Objective Evaluation (65%)

Scoring of Goals and Measured Objectives:

- 3 = Goal/obj was exceeded
- 2 = Goal/obj was achieved
- 1 = Goal/obj was partially achieved
- 0 = Goal/obj was not achieved

A. Performance Measures from FY 2024 Annual Operating Plan & Budget

Measured Objective	Target	FY Actual	Score
Strategic Goal 1			
Percentage of credit unions receiving regular examination annually	75%	76%	3
Percentage of applications approved or denied within 60 days	100%	100	2
Percentage of credit unions with composite CAMEL ratings of 1 or 2	85%	85%	2
Percentage of assets held in credit unions with CAMEL ratings of 1 or 2	95%	90%	1
Percentage of credit unions that are “Well Capitalized” as defined by federal statute	95%	99%	3
Percentage of reports mailed to credit unions within 25 days	98%	100%	3
Percentage of total available work time utilized to conduct both regular and remedial examination work (aka E-Time Ratio)	65%	76%	3
Assets examined per examiner day	\$16.8 million	\$21.0	3
Average time to complete analysis of quarterly financial data (after the submittal deadline for the most recent 5300 Call Report)	within 40 days	45 days	1
Strategic Goal 2			
Percentage of rule changes provided to credit unions within 60 days after adoption	100%	100%	2
Percentage of interpretations/opinions issued within 40 days	100%	100%	2
Strategic Goal 3			
Percentage of complaints responded to within 40 days	95%	95%	2
Strategic Goal 4			
Percentage of exam related travel cost reduced by remote work	20%	40%	3
Annual examiner turnover rate	16%	11%	3
Average regulated assets per examiner (billions)	\$3.0 billion	\$3.5 billion	3
Percentage of purchases made from HUB vendors*: Professional Services Other Services Commodities	23.7% 26.0% 21.1%	41%	3
<i>*Three percentages reported but scored as one measure</i>			

Percentage of credit unions indicating quality service annually	90%	93%	3
Staffing level	95%	90%	1
Number of jobs fairs attended	2	2	2
Turnover ratio (excluding retirements)	Less than 15%	10%	3
Accreditation by NASCUS Maintained in Good Standing	Yes	Yes	2
Total Department costs relative to every \$100,000 in assets regulated	\$6.94	\$7.42	1
Average Score (Total divided by 22)			2.32

B. FY 2024 Leadership Goals

Goal	Documentation Included with Self-Evaluation (list) (i.e., chart, certificate, summary, agenda, pictures, etc.)	Score
1. The Commissioner will complete the migration away from the Sage Database to a new solution and provide appropriate training for staff.		
2. The Commissioner will hire an Interim Executive Assistant, identify potential future supervisors from within the examination department, and establish specific steps for preparing staff for the responsibilities of new, key roles.		
3. The Commissioner will be more visible in the industry outside the department walls, communicating with CU leaders and attending multiple workshops/meetings to support all sizes of credit unions and ensure the relevance of the State Charter.		
Average Score (Total divided by 3)		

Part II. Overall Average Score for All Goals and Measured Objectives (Total Averages divided by 2)	
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Part III. Subjective Evaluation (35%)

Rating of Performance Behaviors:

3 = Exceeds expectations: Superior performance that consistently exceeds expectations.

2 = Meets expectations: Performance consistently meets and sometimes exceeds expectations.

1 = Below expectations: Performance may meet some expectations for the position, but improvement is necessary to move expectation to a satisfactory level.

0 = Does not meet expectations: Overall performance is unsatisfactory in all or most expectations.

A. Leadership

Leadership Performance Behavior	Score
1. Oversees the state credit union system and overall operation of the Department to ensure it is safe, sound, and competitive.	3
2. Demonstrates expertise of the credit union industry, incl. state and federal statutory frameworks, applicable laws and regulations, and issues surrounding the industry.	3
3. Identifies and proposes plans for strategic long-term goals so to fulfill the mission of the Department, cost-effectively and in compliance with all applicable laws and policies.	2
4. Actively participates in regional and national meetings with federal regulators and in regulatory associations such as NASCUS.	2
5. Ensures the Department is effectively staffed, and that staff are properly supervised, developed, and motivated to achieve their goals.	2
6. Evaluates and proposes statutory and rule changes to promote the safety, competitiveness, and viability of Texas state-chartered credit unions.	2
7. Reviews and revises Department policies and programs with sufficient frequency to ensure all internal and external policies and programs are current and appropriate.	2
8. Represents the Department as a capable, dependable leader with great professionalism and integrity who has high standards for self as well as subordinates.	3
9. Leads worthwhile, effective initiatives to ensure the viability of the Texas charter.	2
Average Score (Total divided by 9)	2.33

B. Financial Management

Financial Management Performance Behavior	Score
1. Develops and submits an appropriate annual budget for review and approval by the Commission.	3
2. Monitors the status of the annual budget with effective frequency and detail.	2
3. Keeps the Commission timely informed of significant deviations from the budget.	2
4. Oversees all Department funds, financial activities, and funding requests so to assure the Department maintains a good financial position.	2
5. Ensures integrity and fiscal responsibility by all staff involved in revenue collections and expenditures.	2
6. Provides timely and effective written financial reports to the Commission.	2
7. Demonstrates good judgment in financial decisions, ensuring expenditures are necessary, prudent, and within budgetary constraints.	3
Average Score (Total divided by 7)	2.29

C. Communication

Communication Performance Behavior	Score
1. Demonstrates the abilities to gain the respect of others, to be persuasive and to motivate others to a desired objective in difficult circumstances.	2
2. Takes the initiative in interpreting programs to the Commission, in suggesting new ideas or plans, and in presenting matters for consideration.	2
3. Maintains cohesive relationships and open communication with Commission members, staff, and other credit union leaders within the state and across state lines.	3
4. Keeps the Commission informed of the financial condition and future needs of the Department and informs the Commission of potential problems in a timely manner.	3
5. Keeps the Commission continuously informed of the functions of the Department and provides routine reports of the Department's programs and performance.	2
6. Notifies the Commission of conservation orders and, immediately, of any request for a hearing to appeal a conservation order.	2
7. Communicates well with the public, the media, various trade groups and associations, and when appropriate, the Legislature and Governor's office.	2
8. Communicates effectively with the League and Coalition in a timely and appropriate manner, using a variety of communication measures.	2
9. Promotes a positive organizational culture of mutual respect, service, teamwork, and care.	3
10. Handles complaints, conflicts, issues, and concerns in a timely and professional manner.	2
Average Score (Total divided by 10)	2.30

Part III. Overall Average Score for All Performance Behaviors (Total Averages divided by 3)	2.31
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Part IV. Additional Feedback

A. Summary Comments and Commendations

Write a few sentences summing up your view of the Commissioner's performance for the past fiscal year. Highlight specific accomplishments or areas. Attention to strengths is appreciated.

B. Comments Regarding Improvement/Change

Note any concerns. Make any suggestions for individual or Department improvement or changes. Such concerns or suggestions may or may not equate to a year-long leadership goal (See C.)

C. Possible Goals for Next Year

Write any suggestions for possible leadership goals for the Commissioner for the ensuing year. Examples of annual goals: (a) projects that move the Department to a more automated environment, (b) professional development for the Commissioner or staff, (c) strategies for increasing efficiency and effectiveness.

Commission Member's Printed Name

Commission Member's Signature

Date of Completion

Part V. Final Steps

There are four final steps in the Commissioner Performance Evaluation Process to be completed by the Chair of the Evaluation Committee in conjunction with the Commission and their approval.

First, the Chair will compile the information, calculate the results, and complete the Commissioner Performance Evaluation Report. The Chair will bring this completed report to the Evaluation Committee in Executive Session for their review. Upon their decision, the Chair will then present these results to the entire Commission at the end-of-year Commission Meeting and share the committee's recommendation for their approval.

Second, the Chair, in collaboration with the Evaluation Committee, will update the Commissioner Performance Evaluation Process document for the subsequent Fiscal Year, revising appropriate dates and addressing specific items in its Tool. The Commissioner Performance Evaluation Tool shall be updated to reflect the leadership goals recommended by the Committee and approved by the Commission. It shall also be updated to modify the internal measure target percentages as needed from the new fiscal year budget; (this budget was previously approved by the Commission at the summer meeting.) The committee should also review the wording in the entire Process document and consider any revisions to improve these procedures.

Third, the Chair will complete the form, Commissioner Performance Evaluation Decision – Commissioner Renumeration. This will be completed after the end-of-year Commission Meeting to reflect the Commission's official decision.

Finally, the Chair will meet privately with the Commissioner immediately following the end-of-year Commission Meeting for the necessary signatures. The Chair will communicate with the Commissioner and Executive Secretary to ensure each of these documents is filed appropriately and the state takes necessary action regarding any changes to renumeration. The originals shall be kept on file at the Department.



**CREDIT UNION DEPARTMENT
COMMISSIONER PERFORMANCE EVALUATION REPORT
Fiscal Year of Evaluation: September 1, 2023-August 31, 2024
Credit Union Commissioner: Mike Riepen**

Part I. Self-Evaluation (Informational)

- Satisfactorily Completed and Submitted on Time
- Satisfactorily Completed and Submitted Substantially Late
- Not completed

Part II. Objective Evaluation (65%)

Commission Members' Part II Overall Average Score: _____

$$\begin{array}{rcccl} \text{_____} & \times & 65\% & = & \text{_____} \\ \text{(Part II Average)} & & \text{(Weight)} & & \text{(Part II Weighted Score)} \end{array}$$

Part III. Subjective Evaluation (35%)

Commission Members' Part III Overall Average Score: _____

$$\begin{array}{rcccl} \underline{\hspace{2cm}} & \times & 35\% & = & \underline{\hspace{2cm}} \\ \text{(Part III Average)} & & \text{(Weight)} & & \text{(Part III Weighted Score)} \end{array}$$

Part IV. Additional Feedback

Part V. Final Evaluation

$$\begin{array}{ccc} \underline{\hspace{2cm}} & + & \underline{\hspace{2cm}} = \underline{\hspace{2cm}} \\ \text{(Part II Weighted Score)} & & \text{(Part III Weighted Score)} & & \text{(Total Score)} \end{array}$$

- Exceeded Expectations
- Achieved Expectations
- Partially Achieved Expectations
- Did Not Achieve Expectations

Evaluation Chair Printed Name

Evaluation Chair Signature Date

Commissioner's Printed Name

Commissioner's Signature Date



**CREDIT UNION DEPARTMENT
COMMISSIONER PERFORMANCE EVALUATION DECISION
COMMISSIONER RENUMERATION**

**Fiscal Year of Evaluation: September 1, 2023-August 31, 2024
Credit Union Commissioner: Mike Riepen**

Current Salary: \$ _____ **Effective Date:** _____
Pay Adjustment: \$ _____ **%** _____
Future Salary: \$ _____
Effective Date: _____

Evaluation Chair Printed Name

Evaluation Chair Signature Date

Commissioner's Printed Name

Commissioner's Signature Date

D

Commissioner Performance Evaluation FY 24 – Commissioner’s Input

Part II. B. FY 2024 Leadership Goals

1. The Commissioner will complete the migration away from the Sage Database to a new solution and provide appropriate training for staff.

The migration away from the unsupported Sage database began in FY 23. The database upgrade/conversion has been completed, and the Department is running the fully supported ACT! V25.2. The upgrade/conversion went well, and we stopped running parallel in August. We have been working the past few months with a consultant to facilitate a smooth transition, and she will be providing in-depth, on-site Staff Training the week of October 28th.

2. The Commissioner will hire an Interim Executive Assistant, identify potential future supervisors from within the examination department, and establish specific steps for preparing staff for the responsibilities of new, key roles.

On June 1, 2024, Brenda Medina was hired as an Interim Executive Assistant, which is a successor position for the existing Executive Assistant to the Commissioner. Brenda is very qualified as she comes to our agency with 20+ years of experience with the Department of Banking, serving there in a similar capacity.

In FY 23 I discussed that the Deputy Commissioner and other key office positions like the Director of Examination Support were predominantly filled with Examiners who were based in Austin. Currently, both the Commissioner and the Deputy Commissioner were “Austin” Examiners; additionally, both of us were the Director of Examination Support before our current positions.

In FY 24 we created an Austin Zone and added an Austin Field Supervisor, which will be beneficial for filling key positions like the Deputy Commissioner. Additionally, the Austin examiners will be a potential pipeline for filling key positions. Potential replacements for the Deputy Commissioner are the three field supervisors, tenured field examiners looking for management

opportunities, and Austin based examiners. Additionally, NASCUS is another source to provide candidates to fill the Deputy Commissioner position, as I work with Credit Union regulators across the country.

In FY 24 we created a Financial Examiner VI position, which is essentially an Assistant Field Supervisor. A key requirement for the position is a willingness to assume management roles within the organization. Chad Stanislav, a former CUD examiner and long-time Vice President of Audit and Consulting Services for the Cornerstone League was hired to fill the Financial Examiner VI position and has been on staff for a few months. He is in the Dallas Zone and will replace Yoland Dumas when she plans to retire in two years.

Over time, if we have a Financial Examiner VI position for each zone, it will allow for needed management assistance for field supervisors; improved succession planning for field supervisor positions; improved training for examiners; and the preparation of management-oriented examiners for the responsibilities of new, key roles. In future examiner openings, we will place an emphasis on hiring new examiners interested in management opportunities as they progress in their career with the department.

3. The Commissioner will be more visible in the industry outside the department walls, communicating with CU leaders and attending multiple workshops/meetings to support all sizes of credit unions and ensure the relevance of the State Charter.

In April I did a Teams meeting with Central Texas credit union CEOs to discuss numerous credit union industry topics. The meeting was well attended and provided a good opportunity to communicate with credit union leaders. In May I met in person with credit union CEOs in the Dallas/Fort Worth area and the meeting went well. Additionally, I speak with the Coalition each year in December, and we discuss industry issues and concerns.

These meetings allow me to be more visible to the industry and communicate with credit union leaders. They provide good opportunities to demonstrate the relevance and value of the State Charter, as credit unions have an opportunity

to be heard and meaningfully weigh in on matters important to Texas credit unions. Local, responsive, state-based supervision from the Department and the Commission, low regulatory fees, and the opportunity to be heard in open meetings are visible demonstrations of the importance and value of a State Charter. Federally chartered credit unions do not have these same advantages that a Texas charter has. Additionally, The Deputy Commissioner and I worked with NASCUS to develop a document called “The Advantages of the Texas State Charter.” It is on our website and sent to any group considering starting a credit union.

I was also visible to the industry and had opportunities to communicate with credit union leaders at the NASCUS State Regulator Meeting in March, the Cornerstone League Annual Meeting in April, and the NACUSO Network Conference in April. I am also active in NASCUS meetings and actively participate in discussions with State regulators on issues of importance to the credit union industry.

Part II. FY 2025 Proposed Leadership Goals

1. The Commissioner will work with NASCUS to provide an Industry Training Day for Texas Credit Unions on relevant, timely credit union topics.
2. The Commissioner will work with the Coalition, Cornerstone League and credit union leaders on legislative issues in the upcoming Legislative session. This will be a particularly important legislative session as the banking industry has been actively ramping up calls for credit union taxation, and there is potential for Texas credit unions to be subject to CRA (Community Reinvestment Act) compliance. Currently, there are several states that require state-chartered credit unions to comply with CRA.
3. The Commissioner will speak at a credit union conference as part of a panel on legislative issues, financial technology, Asset/Liability Management or Strategic planning.

Part III. Subjective Evaluation

A. Leadership Performance Behavior

1. Oversees the state credit union system and overall operation of the Department to ensure it is safe, sound, and competitive.

Overseeing the state credit union system and ensuring the industry is safe, sound and competitive is my highest priority as Commissioner. Having spent virtually my entire career in the credit union industry and understanding the industry from both a CEO and Regulator perspective, I have been able to maintain industry safety and soundness while understanding a credit union's perspective on regulation. Additionally, with my previous experience as Director of Examination Support, I have established a good working relationship with NCUA, our share insurer. This good relationship helps to ensure that problem credit unions have the appropriate level of regulation and supervision on areas of concern.

In addition to my experience, I am fortunate to have a qualified staff working with me. The Deputy Commissioner also has substantial senior management experience at a credit union, and our general counsel worked as a CUD examiner at the start of her career and worked with problem credit unions and liquidations at NCUA for over a decade.

I also actively participate in NASCUS and attend conferences and webinars which discuss industry issues that impact state-chartered credit unions. A few of the significant issues concerning the industry currently are an aggressive push by banking associations for taxation and CRA (Community Reinvestment Act) regulation for credit unions; field of membership issues; increased scrutiny of overdraft income and increased credit union compliance requirements proposed by the CFPB; and a focus on ensuring safe use of financial technology by credit unions, with an attendant focus on third party due diligence to prevent data breaches and reputation risk.

2. Represents the Department as a capable, dependable leader with great professionalism and integrity who has high standards for self as well as subordinates.

Having been a long-time CEO as well as having substantial regulatory experience, I have a unique ability to understand the credit union industry from both sides. I developed into a professional, capable, self-motivated, dependable leader during my 22 years as a Credit Union CEO. During my time as CEO, I learned how to achieve goals through teamwork. I built a great team, appreciated the efforts of my employees, and actively sought to develop the talents, skills, and abilities of my staff. I set high standards for myself as well as senior management, and the results were evident in the exceptional performance of my credit union year after year.

As Commissioner, I now use the leadership skills I developed as a CEO to represent the Department as a professional, capable industry leader who possesses integrity. I also actively seek to develop and appreciate staff and move the Department and credit union industry forward to better and better performance.

With my office staff and examiners, I work to achieve goals and address issues, encouraging discussion and input from everyone involved.

B. Financial Management Performance Behavior

1. Develops and submits an appropriate annual budget for review and approval by the Commission.

As a Credit Union CEO, I was responsible for preparation and presentation of the Credit Union's Annual Budget. Having prepared my credit union's annual budget for 22 years, I am very familiar with the budgeting process and preparing an appropriate annual budget which reflects the needs of the credit union.

At the Department I am fortunate to have a Deputy Commissioner who has prepared the annual budget for several years. We both have a good

understanding of the budgeting process and our operational needs, now and in the future, and our projected revenues. We work together to ensure that we prepare an appropriate budget for review and approval by the Commission.

2. Demonstrates good judgment in financial decisions, ensuring expenditures are necessary, prudent, and within budgetary constraints.

The FY 24 Budget which was presented to the Commission sought to address the current and future needs of the Department within budgetary constraints. Several priorities presented reflected this: (1) A recommended Database Conversion to replace Sage Act which is no longer supported by Windows; (2) The addition of an Assistant to train under the Executive Assistant for backup and succession planning; (3) The addition of two affordable modular office cubicles for new personnel and any field staff working in the office as we have no available office space for new personnel; and (4) The addition of an Austin Field Supervisor and creation of an Austin Zone for new examiner training and development, supervisory backup and succession planning.

Also, in FY 24 we created and filled a Financial Examiner VI position, which is essentially an Assistant Field Supervisor. A key requirement for the position is a willingness to assume management roles within the organization.

The FY 25 Budget which was presented to the Commission sought to address staffing, operational and technology needs of the Department. Key budget items included hiring a Database Administrator/Business Analyst; money for database upgrades, Hot Spot Access for examiners to utilize in remote areas to increase productivity; and equity adjustments for employees related to HB 1, showing appreciation for their work efforts.

In FY 26 and FY27, filling a management oriented Financial Examiner VI position for each zone will allow for beneficial management assistance for field supervisors; improved succession planning for field supervisor positions; improved training for examiners; and the preparation of management-oriented examiners for the responsibilities of new, key roles.

Also, with the continued rapid change in the technology area, I see a need to hire a Training Examiner with a sound financial technology background. The training examiner would train examiners in technology and examination related areas and ensure appropriate review of financial technology and third-party due diligence in credit union examinations.

Part III. Subjective Evaluation

C. Communication Performance Behavior

1. Maintains cohesive relationships and open communication with Commission members, staff, and other credit union leaders within the state and across state lines.

In FY 23 I sought to maintain cohesive relationships and open communication with Commission members, staff, and other credit unions leaders. In my first year as Commissioner, I was active in NCUA and NASCUS meetings, participated on a Regulatory Panel at the Texas Governmental Affairs Conference, attended the Cornerstone League Annual Meeting, and discussed various credit union and legislative issues and the proposed budget with Suzanne Yashewski of Cornerstone League and Melodie Durst of the Credit Union Coalition. Additionally, I spoke at the Coalition Annual Meeting.

In April, I did a Teams meeting with Central Texas credit union CEOs to discuss numerous credit union industry topics. The meeting was well attended and provided a good opportunity to communicate with credit union leaders. In May I met in person with credit union CEOs in the Dallas/Fort Worth area and had good conversations on multiple topics. Additionally, I spoke at the December, 2023 Coalition Annual Meeting, and continue to actively participate in NASCUS and maintain a good relationship with NCUA.

2. Promotes a positive organizational culture of mutual respect, service, teamwork, and care.

My mother and father taught me to respect and appreciate people, and to work hard to achieve goals. That is ingrained in my personality and is how I

have lived my life. Additionally, my undergraduate minor in sociology and numerous psychology and communication classes provided additional understanding of people. My knowledge of people and approach to work benefited me in my years as a CEO, where I further developed an understanding of how important all employees are to the success of an organization, and how important teamwork is in accomplishing goals.

As I have worked for the Department several times, I am very familiar with the organizational culture. In my role as Commissioner, I have sought to foster an environment that recognizes, respects and appreciates employees, examiners and their contributions to the organization, and facilitates teamwork in achieving goals and successfully completing projects.

3. Keeps the Commission informed of the financial condition and future needs of the Department and informs the Commission of potential problems in a timely manner.

At each Commission meeting detailed budget reports are provided and discussed and include updates on the financial condition of the Department. Additionally, a detailed budget is prepared annually and discussed with the Commission, and includes priorities for the upcoming year, and addresses current and future potential problems and Departmental needs.

In FY 23 and FY 24 high examiner turnover, supervisory backup and succession planning have been key concerns/problems that have been discussed at length with the Commission. The annual budgets for FY 24 and FY 25 have provided planned solutions for these issues to the extent possible within budgetary constraints. There has been robust open discussion at Commission meetings on proposed budgets, current and future Departmental problems and needs, and potential solutions.

Also, the detailed Monthly Report that Isabel sends to the Commission each month provides a substantial amount of information on Departmental operations, which is beneficial in understanding the Department and future needs. And last of all, I provide a significant amount of information on the

Department's future needs, current and future problems and planned solutions in this self-evaluation information that I provide to the Commission.



Credit Union Department
State of Texas

FY 2025 Annual Operating Plan & Budget

Approved by the Credit Union Commission
July 19, 2024

INTRODUCTION

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2025 Annual Operating Plan and Budget*. This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2023-2027* with the Department's proposed budget. It aims to improve the links between the Department's resource needs, effectiveness, and outcomes.

THE DEPARTMENT TODAY

The Department is a self-directed and semi-independent agency that is responsible for ensuring a safe and sound credit union system for all Texans. This is accomplished through the effective chartering, regulation, and supervision of Texas-chartered credit unions. The operations of the Department are funded primarily by semi-annual assessments levied on credit unions. The Department receives no state monies from the General Revenue Fund.

As of December 31, 2022, the Department was responsible for regulating and supervising 171 credit unions. Based on the year-end call reports, Texas-chartered credit unions held \$57.0 billion in assets or approximately 40 percent of total aggregate credit union assets in Texas.

GOALS AND OUTCOMES

The Credit Union Commission has established four strategic goals to guide the operations of the Department and to contribute to the achievement of its mission and performance goals. The Commission's goals are:

1. to ensure a safe and sound state credit union industry;
2. to provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. to safeguard the interest of credit union members; and
4. to develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

The Department works to meet these goals by, among other things, detecting violations and potential problems or issues in the Texas credit union system and ensuring that the violations are addressed; crafting rules that strengthen corporate governance and operations; ensuring credit union members are treated fairly; and making sure that the Department's human capital strategies, information technology initiatives, and resources are appropriately aligned to achieve the Department's mission, goals, and outcomes.

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Like other regulatory agencies, the Department has found it challenging to develop measures that accurately depict the outcomes of the agency's activities. In many instances, the effects of the agency's efforts can only be indirectly assessed. The Department intends to continue refining its work in this area as it gains more experience in integrating its budget and performance functions. As part of this effort, the Department will continue to assess alternatives for measuring outcomes that help the public gauge the Department's progress in achieving its mission, as well as assisting staff in meeting their objectives.

Strategic Goal 1: To Ensure a Safe and Sound Credit Union Industry

Strategic Objective 1.1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. establishing the appropriate regulatory framework;
2. being a prudent steward of Department resources;
3. ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions;
4. identifying emerging risk areas related to industry and individual credit unions;
5. complying with the examination requirements of [7 TAC Section 97.105](#);
6. resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider; and
7. taking prompt and effective enforcement actions when warranted.

Strategic Objective 1.2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues; and
2. implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 1.3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

1. utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy;
2. deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information; and
3. Providing transparency through the Department's reporting.

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Key Performance Measures

- Percentage of credit unions receiving regular examination annually
 - Target for FY 2025: **75%**
- Percentage of applications approved or denied within 60 days
 - Target for FY 2025: **100%**
- Number of state-chartered credit unions
- Number of regular examinations performed
- Percentage of credit unions with composite CAMEL ratings of 1 or 2
 - Target for FY 2025: **85%**
- Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
 - Target for FY 2025: **95%**

Internal Measures

- Number of follow-up contacts made
- Number of enforcement actions issued
- Percentage of credit unions that are “Well Capitalized” as defined by federal statute
 - Target for FY 2025: **95%**
- Percentage of reports mailed to credit unions within 25 days
 - Target for FY 2025: **98%**
- Percentage of total available work time utilized to conduct both regular and remedial examination work
 - Target for FY 2025: **70%***
- Average Cost per Credit Union Examination
- Assets Examined per Examiner Day
 - Target for FY 2025: **\$19.5 million****
- Average time to complete analysis of quarterly financial data
 - Target for FY 2025: **within 40 days after the submittal deadline for the most recent 5300 Call Report**

*Increased from 65% to 70%, based on the increase in this ratio over the past few years as a higher percentage of examination time has been conducted remotely, thus reducing travel time. With reduced travel time, the percentage of E-Time rises. The average E-Time ratio for FY 2023 was 76.06%, and the average for FY 2024 through April 2024 was 75.04%.

**Same as FY 2024 target which was based on FYE 23 results. Will be amended for FY 2025, based upon 95% of actual level realized for FYE 24.

Strategic Goal 2: To Provide a Flexible Legal and Regulatory Framework that Enables Credit Unions to Provide a Competitive Array of Financial Services

Strategic Objective 2.1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process. The Department seeks to fulfill this objective by:

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1. drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions;
2. conducting the mandatory rule review in accordance with the Commission's approved plan; and
3. implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2.2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules;
2. developing and modernizing attributes of the credit union charter and the role and status of the industry;
3. enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions; and
4. communicating attributes of the state charter within and outside the Department.

Strategic Objective 2.3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. providing a standardized application package;
2. establishing policies and procedures that provide clear and comprehensive guidance;
3. implementing and maintaining processes for prompt screening of applications; and
4. enhancing existing technology solutions that support effective application operations.

Key Performance Measures

- Percentage of rule changes provided to credit unions within 60 days after adoption
 - Target FY 2025: **100%**

Internal Measures

- Number of new rules adopted
- Number of rules amended
- Number of rules re-adopted without change
- Number of applications processed
- Number of requests for interpretations/opinions of Act and Rules
- Number of contested cases referred to SOAH
- Number of Public Information Act requests processed

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- Number of public forums in which the Department participates
- Total Assets in state-chartered credit unions
- Percentage increase in total aggregate credit union assets
- Percentage of interpretations/opinions issued within 30 days
 - Target FY 2025: **100%**

Strategic Goal 3: Safeguard the Interest of Credit Union Members

Strategic Objective 3.1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action;
2. expanding the agency's role in resolving and/or mediating member complaints handled by the Department;
3. strengthening role in addressing member privacy, information security, and identity theft; and
4. enhancing the Department's consumer compliance examination program.

Strategic Objective 3.2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. supporting the efforts of credit unions to expand their fields of membership to included underserved and low income communities;
2. facilitating the process for credit unions to obtain a low-income designation from NCUA; and
3. participating in financial literacy efforts by the industry and other agencies.

Key Performance Measure

- Percentage of credit unions providing services to low income or underserved populations

Internal Measures

- Number of complaints processed
- Percentage of complaints responded to within **40** days*
 - Target FY 2025: **95%**

Strategic Goal 4: Develop a Professional and Motivated Staff that Provides Quality Service and Supports Achievement of the Department's Statutory Mission

Strategic Objective 4.1: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

1. maintaining a comprehensive Equal Employment and Workforce Diversity Plan;
2. executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners;
3. developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs;
4. creating a leadership development program to support and enhance management succession; and
5. implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 4.2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework;
2. ensuring compliance with the rules, policies and procedures for ethical conduct by its employees;
3. ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives; and
4. leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

Internal Measures

- Percentage of exam related travel cost reduced by remote work
 - Target FY 2025: **20%**

Strategic Objective 4.3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. implementing security controls to mitigate risk and to protect confidential information;
2. improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies; and

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3. achieving reliable, accurate and timely financial resources management information.

Internal Measures

- Annual examiner turnover rate
 - Target FY 2025: **16%**
- Average regulated assets per examiner (billions)
 - Target FY 2025: **\$3.1 billion***
- Number of days of formal training attended by staff
- Number of purchases made from HUB vendors
- Percentage of purchases made from HUB vendors
 - Target FY 2025: **Professional Services - 23.7%; Other Services - 26.0%; and Commodities - 21.1%**
- Percentage of credit unions indicating quality service annually
 - Target FY 2025: **90%**
- Staffing level
 - Target FY 2025: **95%**
- Number of jobs fairs attended
 - Target FY 2025: **2**
- Turnover ratio (excluding retirements)
 - Target FY 2025: **Less than 15%**
- Accreditation by NASCUS Maintained in Good Standing
 - Target FY 2025: **Yes**
- Total Department costs relative to every \$100,000 in assets regulated
 - Target FY 2025: **\$7.79****

*The FY 2024 amount of \$3.0 billion per examiner was based on regulated assets as of March 31, 2023 divided by 19 examiners (fully staffed). As of March 31, 2024, the actual YTD FY 2024 figure is \$3.6 billion based on low staffing levels (currently short 2 examiners) which have occurred throughout the fiscal year. Once the two open field examiner positions are filled, this will reduce the existing level to \$3.1 billion, based on regulated assets as of March 31, 2024 divided by 19 examiners (fully staffed).

**Target based on FY 2023 cost of \$7.42/\$100k of regulated assets times 105% during the fiscal year. The high level of remote work has resulted in restricted travel and greatly reduced costs for several years. However, the cost did increase in FY 2023 as more exams were conducted on-site resulting in a rise in travel costs. It is anticipated even more exams will be conducted on-site for FY 2024 vs. FY 2023 and examiner travel costs for FY 2024 will increase compared to FY 2023 levels. The FY 2024 costs have not yet been computed as we have not reached the FYE.

DEPARTMENT BUDGET – FY 2025	
REVENUE:	
Operating Fees	\$5,948,556 ¹
Examination Fees	
Application Fees	
Penalties	
Refund/Reimbursement of Expenditures	
Other	
TOTAL REVENUE	\$5,948,556
EXPENDITURES:	
Personnel Expenses	
Salaries and Wages	\$3,631,638
Payroll Related Costs	1,110,312
Total Personnel Expenses	\$4,741,950
Travel Expenses	
In State	\$462,020
Out-of-State	25,000
Commission	24,000
Total Travel Expenses	\$511,020
Other Operating Expenses	
Professional Services/Fees	\$236,183
Materials and Supplies	74,532
Communications/Utilities	65,989
Repairs/Maintenance	50,165
Rentals and Leases	4,900
Printing and Reproduction	1,000
Other Expenditures	162,817
Contingency Reserve Funding	100,000
Total Other Operating Expenses	\$695,586
TOTAL EXPENDITURES	\$5,948,556
CONTINGENCY RESERVE AS OF April 30, 2024	
	\$1,188,497
FULL-TIME-EQUIVALENT POSITIONS (FTEs)	
	36.0

¹ Budgeted operating fees will be set to cover the actual budget approved by the Commission. Any funds more than the prescribed Contingency Fund Reserve aggregate limit as of August 31, 2024, will also be used to reduce the operating fees for Texas credit unions during FY 2025.

CUMULATIVE RESOURCES						
Budget Year	2019	2020	2021	2022	2023	2024
Authorized FTE	29.5	30.0	30.0	31.0	33.0	35.0
Actual FTE	29.0	29.0	27.0	27.5	30.0	33.0*
Budgeted Dollars	\$4,260,909	\$4,445,694	\$4,307,682	\$4,894,832	\$5,057,455	\$5,556,986
Actual Dollars Spent	\$3,903,856	\$3,898,009	\$3,524,092	\$3,895,886	\$4,268,776	TBD

*As of June 1, 2024.

FUTURE MEETING DATES

E. Discussion and Consideration of a Tentative Date for Next Committee Meeting.

BACKGROUND: The next regular meeting of the Committee has been tentatively scheduled for July 17, 2024.

ADJOURNMENT