



# AGENCY STRATEGIC PLAN

For Fiscal Years 2013-2017

## CREDIT UNION DEPARTMENT STATE OF TEXAS

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### Credit Union Commission of Texas

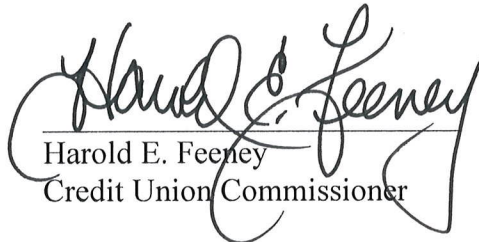
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<u>Board Member</u>	<u>End of Term</u>	<u>Hometown</u>
Thomas F. Butler, Chair	February 15, 2013	Deer Park, Texas
Manuel "Manny" Cavazos	February 15, 2017	Austin, Texas
Gary L. Janacek	February 15, 2015	Temple, Texas
Dale E. Kimble	February 15, 2013	Denton, Texas
Rob Kyker	February 15, 2015	Richardson, Texas
Sherri Brannon Merket	February 15, 2017	Midland, Texas
Allyson "Missy" Morrow	February 15, 2013	San Benito, Texas
Gary D. Tuma	February 15, 2017	Sugar Land, Texas
A. John Yoggerst	February 15, 2015	San Antonio, Texas


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Approved February 17, 2012

Signed:

  
Harold E. Feeney  
Credit Union Commissioner

Approved:

  
Thomas F. Butler, Chair  
Credit Union Commission

	<u>PAGE</u>
STATEWIDE VISION, MISSION, AND PHILOSOPHY .....	1
RELEVANT STATEWIDE GOALS AND BENCHMARKS .....	3
AGENCY MISSION AND PHILOSOPHY .....	4
EXTERNAL/INTERNAL ASSESSMENT .....	5
AGENCY GOALS AND OBJECTIVES .....	8
STRATEGIES, OUTCOME, EFFICIENCY .....	9
KEY FACTORS AFFECTING THE ACHIEVEMENT OF STRATEGIC GOALS .....	10
TECHNOLOGY RESOURCE PLANNING .....	11

## APPENDICES

A: Description of Planning Process .....	12
B: Current Organizational Chart .....	13
C: Five-year Projections for Outcomes .....	14
D: List of Measure Definitions, Objectives and Outcome Measures and Strategic and Output, Efficiency and Explanatory Measures.....	15
E: Workforce Plan .....	39
F: Survey of Employee Engagement .....	46

## STATEWIDE VISION, MISSION, AND PHILOSOPHY

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### **VISION STATEMENT** —

*Working together, I know we can address the priorities of the people of Texas. As my administration works to create greater opportunity and prosperity for our citizens, making our state and its people truly competitive in the global marketplace, we must remain focused on the following critical priorities:*

*Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;*

*Creating and retaining job opportunities and building a stronger economy to secure Texas' global competitiveness, leading our people and a stable source of funding for core priorities;*

*Protecting and preserving the health, safety and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend us harm; and*

*Providing disciplined, principled government that invests public funds wisely and efficiently.*

By Governor Rick Perry

### **MISSION STATEMENT** —

*Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.*

*Aim high...we are not here to achieve inconsequential things!*

## STATEWIDE VISION, MISSION, AND PHILOSOPHY

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### **PHILOSOPHY —**

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

***Texas Matters Most*** *Our state, and its future, is more important than party, politics or individual recognition.*

***Limited and Efficient Government*** *Government should be limited in size and mission, but must be highly effective in performing the tasks it undertakes.*

***Local Control*** *Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local governments closest to their communities.*

***Open and Accountable*** *Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.*

***Competition and Personal Responsibility*** *Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.*

***Fiscal Responsibility*** *State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.*

State government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

## **RELEVANT STATEWIDE GOALS AND BENCHMARKS**

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The following statewide priority goals and benchmarks are relevant to both the Credit Union Department and the state-chartered credit union industry it regulates. They also provide guidance to the Credit Union Department in establishing its goals and objectives.

### **REGULATORY**

**GOAL** *To ensure Texans are effectively and efficiently served by high- quality professionals and businesses by implementing clear standards, ensuring compliance, establishing market-based solutions, and reducing the regulatory burden on people and business.*

**BENCHMARK** *Percent of state financial institutions and credit providers rated “safe and sound” and/or in compliance with state requirements*

### **ECONOMIC DEVELOPMENT**

**GOAL** *To provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment, and infrastructure development by promoting a favorable and fair system to fund state services, addressing transportation needs, promoting a favorable business climate, and developing a well-trained, educated and productive workforce.*

**BENCHMARKS**

- *Per capita gross state product*
- *State and local taxes as a percent of personal income*
- *Texas unemployment rate*
- *Median household income*
- *Number of new non-government, non-farm jobs created*
- *Number of new small businesses created*

## **AGENCY MISSION AND PHILOSOPHY**

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### **VISION –**

*The Credit Union Commission seeks to assure a credit union system in which credit unions soundly manage their risks, comply with applicable laws, compete effectively with other providers of financial services, and offer products and services that meet the needs of credit union members.*

### **STRATEGIC GOALS –**

*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:*

- *To ensure a safe and sound credit union industry;*
- *To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;*
- *To safeguard the interest of credit union members; and*
- *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.*

### **MISSION STATEMENT –**

*The mission of the Credit Union Department is to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry.*

### **PHILOSOPHY —**

*The Credit Union Department will serve the public, credit unions and their members, exercising the highest standards of regulatory oversight, emphasizing professionalism and personal ethics. The Department will guide credit unions toward continuous improvement in financial strength and effectiveness in the provision of financial services to their members. Supervision and examination will be fairly and consistently administered as appropriate to ensure fiscal integrity of the industry. Preservation of public confidence in credit unions and the protection of members' interests, and shares and deposits of credit unions will remain a principal focal point of the agency. This will be accomplished through effective regulation and open communication with credit unions and the general public.*

## EXTERNAL/INTERNAL ASSESSMENT

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### Department Overview

The Credit Union Department (Department), under the oversight of the Credit Union Commission (Commission), is charged with assuring the safety and soundness of state-chartered credit unions in Texas. The agency also oversees branches of out-of-state credit unions operating in the state.

The oversight encompasses safeguarding the public interest, promoting public confidence in Texas credit unions, protecting savings of members, and providing rulemaking and discretionary authority for flexibility in operations. The Department accomplishes these tasks through annual examinations of each credit union to ensure compliance with applicable laws, rules, and sound business practices. The Department also monitors the operating performance of the credit unions through quarterly financial and statistical reports.

The Department operates and maintains its only office in Austin. Agency examiners work from their residences, located in Austin, Dallas/Fort Worth, and Houston. Because credit unions are spread throughout the state, including the Texas/Louisiana and the Texas/Mexico border regions, examiners are required to travel extensively in examining credit unions throughout Texas with overnight travel of 40-55%. Given the amount of travel required, stationing field staff in these cities minimizes travel costs.

The Department is accredited by the National Association of State Credit Union Supervisors (NASCUS). Patterned after university accreditation, the NASCUS accreditation program applies national standards of performance to all functional areas of a state's credit union regulatory program. Initially accredited in 1996, the Department must be re-accredited by NASCUS every five years. Most recently, it received re-accreditation in 2011. Accreditation provides the Department with national recognition among its peers and professional respect from the institutions it regulates.

The Department was reviewed by the 81<sup>st</sup> Legislature and its existence was continued until September 1, 2021.

### Financial

In 2009, the Legislature granted the Department Self-Directed, Semi-Independent (SDSI) status. As an SDSI agency, the Department's budget is set by the Commission. Under the Commission's guidance, the Department sets spending at a fiscally responsible level to minimize the impact of assessments against credit unions. For FY2012 the Department's budget is \$2,814,637, which includes funds to hire experienced examiners and bring current examiners' salaries on a par with other state and federal financial regulators.

No General Revenue Funds support agency operations. All of the agency's operating funds are generated from fees paid by the credit unions supervised by the Department. Those fees cover all direct and indirect cost of operations. The Department matches revenues with expenditures to ensure that credit unions are not charged more than necessary to maintain the agency's operations and meet its statutory mandates.

## EXTERNAL/INTERNAL ASSESSMENT

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As of December 31, 2011, the Department supervised 198 credit unions with total assets of more than \$25 billion. The Department has 24.5 FTEs, including one vacant examiner position. Fifteen examiners perform on-site examinations of the credit unions; 9.5 positions provide administrative support. A large percentage of the agency's budget supports the examination function. For the fiscal year ending August 31, 2011, 89% of the Department's expenses were for salaries, other employee benefits, and travel costs.

### Economic Conditions

Since 2007, the credit union industry has operated in a challenging environment that includes the longest and deepest recession since the Great Depression. Credit unions are slowly recovering from this economic turmoil. Aggregate industry net income is once again positive, though still below pre-recession levels, credit problems have slowly abated, and charge-offs and delinquency rates, while above credit union long-run averages, have fallen for most loan categories. The drop in real estate property prices and continued sluggish growth in the labor market suggest that the operating environment for credit unions is likely to remain challenging for some time. In addition, federal regulatory changes are also expected to impact revenue growth over the next several years.

In the face of continuing credit problems, and without clear sources of revenue growth, net income at credit unions may remain lackluster for some time. A less "profitable" credit union industry could be less resilient if confronted by stressful conditions in the future.

### Detection and Prevention of Fraud and Financial Crimes

To combat fraud and money laundering, and to protect the integrity of the credit union system, the Department has increasingly emphasized examining credit unions for compliance with the requirements of the Bank Secrecy Act, the USA Patriot Act, and other federal anti-money laundering laws. Examination procedures for compliance with these laws are consistent with federal examination procedures. Guidelines for recordkeeping and anti-money laundering reporting continue to expand and create more demands on the examination staff. The increased incidences of identity theft, check and credit card fraud, and Suspicious Activity Reports (SARs) filed by credit unions require additional examiner hours for review, research, and testing.

Loan fraud can sometimes result in large losses for financial institutions, and the Department's examiners must be alert to potential fraud in a credit union's loan portfolio. For example, a fraudulent appraisal that inflates the property's value above market value could cause the credit union a loss if the member defaults on the loan and the credit union is forced to foreclose on the property. Over the next five years, the Department will be challenged to provide additional resources to help identify areas of fraud. The Department is a member of the Residential Mortgage Fraud Task Force and shares information and resources to enforce administrative and criminal actions against perpetrators of mortgage fraud.



## EXTERNAL/INTERNAL ASSESSMENT

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### Department Purchases/Capital Improvement Needs

The majority of Department purchases are for office supplies and services; on rare occasions, the agency buys office equipment and furniture. Most purchases are made through the Comptroller's office using approved vendors. Service contracts are negotiated using either state-approved or interagency contracts.

The Department consistently contacts Historically Underutilized Businesses for bids on spot purchases and small dollar amount procurements. Due to budget constraints, products and services are obtained from the lowest bidder. In addition to its HUB policy, the Department has a HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

As an SDSI agency, the Department is responsible for the upkeep of its building. Each year during the budgeting process, the Commission reviews and approves major repairs and long-term improvements.

## **AGENCY GOALS**

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### **GOAL A: EFFECTIVE SUPERVISION AND REGULATION**

**To effectively supervise and regulate state-chartered credit unions through enforcement of safety and soundness standards and compliance with the Texas Finance Code, and in a manner that balances the interest of the membership and the need for public confidence in the credit union system. [Texas Finance Code, §§15.102, 15.403 and 15.404]**

The Department is charged by the Texas Legislature with the responsibility of supervising and regulating state-chartered credit unions. This responsibility spans many different areas, from chartering new credit unions to placing troubled credit unions into conservatorship and possibly authorizing their liquidation.

To achieve this goal, the Department must use its resources efficiently, and must maintain a highly qualified and experienced staff, a good working relationship with the federal regulator and share/deposit insurer, and good communication with the state-chartered credit union industry. Personnel must be aware of national and state economic trends, technological innovations, and innovations in the financial services industry, and must be able to react and adapt to any changes occurring in its internal and external environments.

### **GOAL B: INSURE SAFETY AND SOUNDNESS**

**Through interaction with the Credit Union Commission and the Legislature, recommend statutory and rule changes to ensure that credit unions operate in a safe and sound manner in a competitive and ever changing financial services industry. [Texas Finance Code, §§15.103, 15.402 and 15.405]**

The Commission plays a key role in ensuring the viability of the credit union industry in its role as the promulgator of rules and in proposing statutory changes to the Legislature. As the governing board, the Commission also oversees the Department and sets general operational policy.

In collaboration with the Department staff, the Commission reviews industry trends and develops new and amended rules to address the needs of the credit union industry and the membership that it serves. Conversely, rules that are obsolete or unneeded are repealed. The Texas Credit Union Act was updated by the 78<sup>th</sup> Legislature. The Commission will continue to evaluate the Texas Credit Union Act and provide the legislature with recommendations for its improvement and modernization.

## **AGENCY GOALS**

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### **GOAL C: PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES**

**To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses (HUBs). [1 TAC §§111.11-111.24; 7 TAC §97.205]**

The Department supports efforts by the Governor, Lt. Governor, and the Legislature in their policy of directing state agencies to award state contracts to HUBs, and follows the purchasing guidelines established by the Comptroller with respect to the solicitation of bids. Purchasing decisions are based on the lowest bid received. In addition, the Department makes every effort to ensure that it makes its purchases from a diverse group within the HUBs.

### **STRATEGIES, OUTCOME, EFFICIENCY**

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**See Appendix D for Objectives and Outcome Measures, and Strategic and Output, Efficiency and Explanatory Measures.**

## AGENCY GOALS

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### **KEY FACTORS AFFECTING THE ACHIEVEMENT OF STRATEGIC GOALS**

#### Economic

Shifts in the economy affect the risk profile of the credit union industry, with implications for the direction of Department supervisory strategy. The severe recession that began in late 2007 left in its wake sharp reductions in credit union income, continuing credit problems, and declining loan demand. These problems may not be resolved quickly, and this calls for watchfulness and flexibility by the Department.

Credit unions face an economic environment that will be difficult for some time. The slow pace of economic growth depresses both credit quality and revenue growth. At the same time new laws and regulations may reduce income from fees and other noninterest sources. The extended period of low interest rates continues to squeeze household incomes, affecting demand for consumer loans and margins at many credit unions.

#### Human Resources

There is no one factor more critical to the Department's overall success or its ability to accomplish its mission than its staff. Acquiring, developing, and retaining a competent, motivated, and diverse workforce continues to be one of the Department's top priorities and is one of its four strategic goals. At the same time, and similar to the rest of state government, significant internal and external factors affect the Department's current and future workforce, challenging the agency's ability to ensure that the right employees are in the right positions at the right time. Human capital will remain a critically important issue for the Department over the next five years.

Succession planning, especially for key leadership positions, will be more important than ever, given the growing number of employees eligible to retire. Capturing and making available the wealth of experience and expertise of the Department's current workforce through knowledge management and knowledge transfer is a business imperative. Ensuring that the Department's workforce, especially its mission-critical examiners are well trained, skilled, and capable of meeting the needs of the rapidly changing and increasingly complex industry is essential. This will require identifying critical skills and competencies, assessing gaps, and delivering training and development programs to build or to improve those critical skills and competencies.

#### Legislative

The Dodd-Frank Act resulted in sweeping changes in laws governing the financial services industry. The legislation requires a myriad of rulemaking projects and supervisory initiatives by federal agencies to implement and adjust to those changes. The legislation will alter the ways in which credit unions do business in multiple respects: whether credit unions can conduct certain lines of business, how the business will be accomplished under changed circumstances, and, in some cases, how much they can charge for the products and services they are allowed to provide. The Department will look for opportunities to work with other regulators, industry

## **AGENCY GOALS**

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leaders, consumer advocates, and policymakers to advance appropriate legislative initiatives and reduce regulatory burden.

### **TECHNOLOGY RESOURCE PLANNING**

#### Technology Assessment and Alignment

Technology Initiative: Managed services and updated website.

As part of its data management priority, the agency recently moved to a managed services structure for server and desktop support, updated its website and moved the website to a hosted service. The project is nearly completed and the agency is continuing to review the results. Staff will be trained on the new features. The result should allow staff and the public better access to agency resources and information, as well as improve security. We anticipate operational efficiencies when the project is complete.

Technology Initiative: New database.

Again as a data management priority, the agency will be changing its database platform from MySQL to MS SQL. This will allow staff to generate reports, rather than compiling them manually, and will preserve data in a more accessible format. The anticipated benefits are operational efficiencies and security improvements. In addition, the agency will have an updated foundation for operational improvements.

Technology Initiative: Secure email.

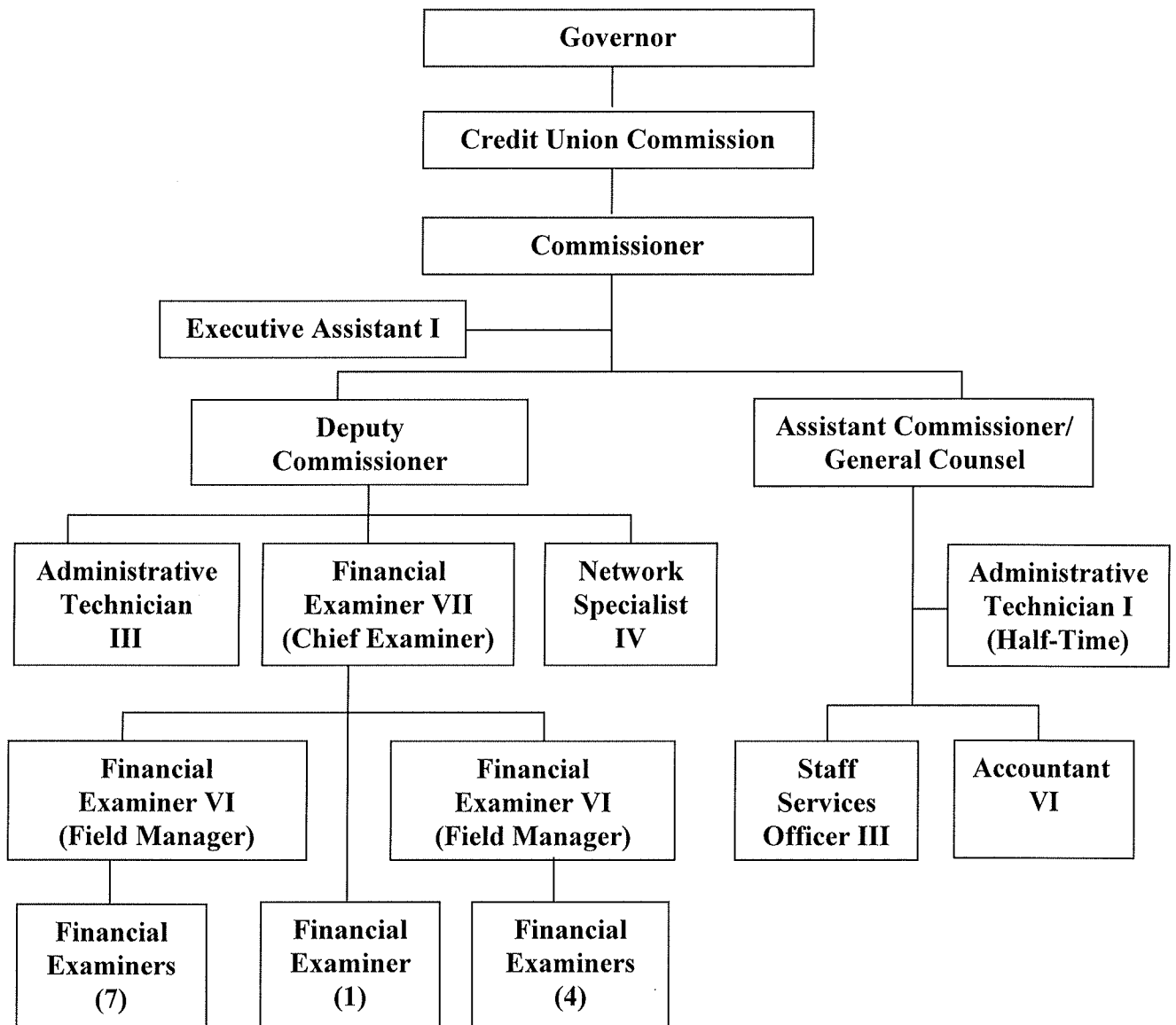
As part of the agency's emphasis on security and privacy, the agency is exploring services that provide encrypted email to allow staff and credit unions to exchange confidential information quickly and securely. This should allow better use of examiner time by reducing time spent on-site at credit unions to obtain the same information. Customer (credit union) satisfaction should increase as examiners minimize on-site time and more effectively use the time they do spend on-site.

**CREDIT UNION DEPARTMENT PLANNING PROCESS**

1. The Department reviewed Governor Perry's personal vision for Texas, the mission and philosophy of Texas Government, and Texas' primary goals with associated benchmarks.
2. The Department analyzed each of Texas' primary goals and associated benchmarks to select the goals and benchmarks that most accurately reflect the Department's mission and philosophy.
3. Management reviewed the Department's mission and philosophy in conjunction with its current strategic plan structure to determine whether modifications to Department goals, objectives, strategies and performance measures were necessary. Based on the review, performance measures were updated to reflect the most crucial functions of the agency.
4. Management considered concerns of the industry in assessing how the external and internal factors identified would impact the Department.
6. The Department's goals, strategies, objectives and performance measures were again reviewed to determine whether they were still valid in light of the assessment of external and internal factors.
7. A draft copy of the 2013-2017 Strategic Plan was distributed to the management team, including the Commissioner, for review and comment.
8. A draft of the Strategic Plan was distributed to the Commission for review and approval at the February 17, 2012 Commission meeting.

**APPENDIX B**  
**Organization Chart**

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***CREDIT UNION DEPARTMENT STATE OF TEXAS***

**APPENDIX C**  
**Outcome Projections**

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**FOR THE FIVE-YEAR PLANNING HORIZON**

<b>Outcome Measures</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<b><u>Effective Supervision/Regulation</u></b>					
Percentage of Credit Unions Receiving Regular Examinations Annually	90%	90%	90%	90%	90%
Percentage of Complaints Investigated and Responded to Within 30 Days of Receipt	95%	95%	95%	95%	95%
Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt	100%	100%	100%	100%	100%
Percentage of Credit Unions Indicating Quality Service Received on Annual Survey	90%	90%	90%	90%	90%
Percentage of Complete Charter/Bylaw Applications Approved or Denied Within 60 Days	100%	100%	100%	100%	100%
<b><u>Insure Safety and Soundness</u></b>					
Percentage of Rule Changes Provided to Credit Unions Within 60 Days of Adoption	100%	100%	100%	100%	100%
Percentage of Reports to Credit Unions Within 20 Days	98%	98%	98%	98%	98%
<b><u>Procurement Using HUBs</u></b>					
Percentage of Total Dollar Value of Purchasing and Public Works Contracts and Subcontracts Awarded to HUBs	20%	20%	20%	20%	20%



## **CREDIT UNION DEPARTMENT PERFORMANCE MEASURES**

### DEFINITIONS, CALCULATION AND DATA VERIFICATION

Performance measures indicate a level of performance that the Department has achieved or planned, or that is required by Commission directive. Performance Measures are an integral part of the Strategic Plan and the Budget Request and relate to the Department's supervision activity. Targeted success rates are determined after analyzing mission priorities, budget constraints, past success rates, and external factors.

Performance Measure calculations are largely derived from the Department's database. The following reports are used to calculate the numbers for the performance measures.

- Charter Activity Summary
- Bylaw Amendments Acted On
- Consumer Complaints
- Master List
- Problem Credit Unions
- Reconciliation of Examinations Received
- Administrative Sanctions
- Reports Received
- Examination Activity Analysis
- Reports Elapsed

The following additional information is monitored by the Executive Assistant.

- # of Public Forums in which Department Participated
- # of Rules Adopted, Amended, or Readopted by Commission
- # of Requests for Interpretations/Opinions of Act and Rules
- # of Open Records Requests Processed
- # of Total Low Income Credit Unions
- Customer Service Satisfaction Percentage
- Credit Union Assets

The Staff Services Officer provides the employee list and monitors contracts with HUB vendors.

The Accountant prepares the performance measure reports.

The Assistant Commissioner/General Counsel maintains and provides the information related to the number of contested cases and checks all calculations before the reports are finalized.

## **APPENDIX D**

### **Performance Measure Definitions**

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The Deputy Commissioner and Assistant Commissioner/General Counsel confirm database entries each month by reviewing the Management Report, which is prepared from the database entries. This review occurs before any performance measures are calculated.

#### **Strategic Goal 1**

##### **1. Number of State-Chartered Credit Unions**

Definition: The number of active Texas state-chartered credit unions under the Department's jurisdiction during the reporting period, less the number of credit unions in the process of being liquidated. NOTE: For the quarterly measure, use the number of credit unions on the last day of the quarter. For the annual measure, include only the credit unions under the Department's jurisdiction for six months or more.

Data Limitations: The Department has little control over the number of new charter requests, mergers or conversions processed.

Data Source: The Department maintains a database which tracks all active, liquidating, and cancelled state credit union charters.

Method of Calculation: Count the total number of active state-chartered credit unions under the supervision of the Department from the database, less any being liquidated. NOTE: For the quarterly measure, use the number of credit unions on the last day of the quarter. For the annual measure, count only the credit unions in the Department's system for six months or more.

Purpose/Importance: This explanatory measure is an indicator of the extent of the Department's responsibility over the safe and sound regulation of state-chartered credit unions.

Related Measures: Percentage of Credit Unions Receiving Regular Examinations, Percentage of Credit Unions with composite CAMEL ratings 1 or 2.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measures

Desired Performance: Neutral

##### **2. Number of Regular Examinations Performed**

Definition: The number of regular examinations the Department performs during the reporting period.

## **APPENDIX D**

### **Performance Measure Definitions**

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Data Limitation: The number of examinations that can be conducted during the year depends on the number of trained examiners on staff to conduct the examinations. High turnover has a negative impact on this measure. The number of follow-up contacts will also impact this measure.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Count the regular, full-scope or limited-scope examinations, in which the report of examination was received for processing during the period being measured. Follow-up contacts (remedial exams) are not included.

Purpose/Importance: The measure indicates whether the Department is meeting the frequency of examination requirements of 7 TAC §97.105.

Related Measure: Percentage of Credit Unions Receiving Regular Examinations

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

### **3. Number of Follow-up Contacts Made (Remedial Exams)**

Definition: The number of follow-up contacts the Department makes during the reporting period.

Data Limitation: The number of remedial examinations that can be conducted during the year depends on the number of trained examiners on staff to conduct this type of examination. High turnover has a negative impact on this measure. This measure also impacts the number of regular examinations the Department can accomplish.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Count the remedial examinations received for processing during the reporting period.

Purpose/Importance: This information measure is an indicator of the extent of the Department's responsibility over the safe and sound regulation of state-chartered credit unions.

## **APPENDIX D**

### **Performance Measure Definitions**

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Related Measure: Percentage of credit unions with composite CAMEL ratings of 1 or 2

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **4. Number of Enforcement Actions Issued**

Definition: The number of enforcement or other administrative actions issued against credit unions during the reporting period for safety/soundness concerns and/or material noncompliance with applicable statutory and/or regulatory requirements.

Data Limitation: Enforcement actions are used when credit unions are experiencing financial, operational, or management difficulties. Poor management decisions or economic downturns – events that are out of the Department's control – can result in the issuance of an enforcement action.

Data Source: Administrative and enforcement actions are tracked in the Department's internal database.

Methodology: Total the number of enforcement actions issued against credit unions in the reporting period. Enforcement actions include Letters of Understanding and Agreement voluntarily entered into by credit union officials, Determination Letters, Orders to Cease and Desist, Suspension Orders, Conservatorship Orders, Involuntary Liquidation Orders and Dividend Restriction Orders.

Purpose/Importance: This measure helps identify the number of credit unions that would not be considered safe and sound.

Related Measure: Percentage of credit unions with composite CAMEL ratings of 1 or 2

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

## APPENDIX D

### Performance Measure Definitions

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#### 5. Percentage of Credit Unions with Composite CAMEL Ratings of 1 or 2

Definition: The number of credit unions with composite CAMEL rating of 1 or 2 during the applicable period based upon a rating system, expressed as a percentage of the total number of credit unions regulated for the same period.

Data Limitation: The agency has limited control over the events that could lead to a credit union receiving a composite CAMEL rating other than a 1 or 2, as in, for example, embezzlement. Once a problem is identified, however, the Department will act quickly to find a resolution and work with the credit union to increase its rating.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of credit unions assigned a composite CAMEL rating of 1 or 2 by the total number of credit unions for the same reporting period.

Purpose/Importance: Measures the financial health of the Texas state-chartered credit unions. Ties directly to a statewide regulatory benchmark.

Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### 6. Percentage of Assets Held in Credit Unions with Composite CAMEL Ratings of 1 or 2

Definition: The consolidated total assets of credit unions with composite CAMEL rating of 1 or 2 as reported in the designated quarterly call report based upon a rating system, expressed as a percentage of the consolidated total assets of all credit unions regulated for the same period. For September through November, use the call report for the preceding June 30th; for December through February, use the call report for the preceding September 30th; for March through May, use the call report for the preceding December 31st; for June through August, use the call report for the preceding March 31st.

## APPENDIX D

### Performance Measure Definitions

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Data Limitation: The agency has limited control over the events that could lead to a credit union receiving a composite CAMEL rating other than a 1 or 2, as in, for example, embezzlement. Once a problem is identified, however, the Department will act quickly to find a resolution and work with the credit union to increase its rating.

Data Source: Quarterly financial and statistical Call Report data filed with the Department by each credit union.

Methodology: Divide the consolidated total assets of credit unions assigned a composite CAMEL rating of 1 or 2 by the consolidated total assets of all credit unions for the same reporting period.

Purpose/Importance: This informational measure indicates the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued; Percentage of Credit Unions with Composite CAMEL Ratings of 1 or 2.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### 7. **Percentage of Credit Unions that are Well Capitalized as Defined by Federal Statute**

Definition: A credit union is *well capitalized* if it has a net worth ratio of seven percent (7%) or greater and also meets any applicable risk-based net worth requirements.

Data Limitation: The agency has limited control over the events that could lead to a credit union's net worth to decline. As problems are identified, however, the Department will act quickly to find a resolution and work with the credit union to reduce its losses.

Data Source: Quarterly Call Report data filed with the Department by each credit union.

Methodology: Divide the number of credit unions with a net worth ratio of 7% or more by the total number of credit unions for the reporting period.

Purpose/Importance: Measures the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

**APPENDIX D**  
**Performance Measure Definitions**

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Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

**8. Percentage of Credit Unions Receiving Regular Examination Annually**

Definition: The number of credit unions examined within an examination cycle of no more than 18 months during the fiscal year, expressed as a ratio of the total number of state-chartered credit unions for same period.

Data Limitation: None

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of credit unions examined during the reporting period by the total number of credit unions for the same period. To be considered "examined", the report of examination must be received for processing during the period being measured.

Purpose/Importance: Section 97.105 of TAC Title 7 requires the examination of each credit union at least once each year. Intervals between examination effective dates cannot exceed 18 months unless a longer interval is authorized in writing by the Commission. This measure monitors the Department's performance in meeting the Commission's mandate.

Related Measure: Number of State Chartered Credit Unions; Number of Examinations Performed

Calculation Type: Noncumulative

New Measure: No

Target: 90% (annual)

Desired Performance: Higher than target

## **APPENDIX D**

### **Performance Measure Definitions**

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#### **9. Percentage of Complete Applications Approved or Denied Within 60 Days**

Definition: The number of complete applications approved or denied within 60 days of receipt, expressed as a percentage of all applications approved or denied for the same period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

Data Limitation: If a credit union application is protested, and either additional information must be obtained from the protestant or the applicant is slow in responding to the protest, the number of days between when the application is published and a decision is rendered may exceed 60 days.

Data Source: Supporting information regarding each application is tracked in the Department's internal database.

Methodology: Divide the number of complete applications approved or denied within 60 days of the date published or received, whichever is later, by the total number of applications approved or denied during the same reporting period.

Purpose/Importance: Finance Code §122.005 requires the Commissioner to approve or disapprove applications not later than the 60<sup>th</sup> day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published.

Related Measures: Number of Applications Processed

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target

#### **10. Percentage of Reports to Credit Unions Within 20 Days**

Definition: The number of regular examination reports mailed to credit union management within 20 days of the last day on-site at the credit union, expressed as a percentage of the total number of examination reports mailed during the reporting period.

Data Limitations: None.



## **APPENDIX D**

### **Performance Measure Definitions**

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Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of reports of examination processed and mailed to credit unions within 20 days after the last day the examiners are on-site by the total number of reports of examination processed for the same period.

Purpose/Importance: This measure is an indication of the agency's efficiency in reporting examination findings back to a credit union's board of directors and key management, which becomes more important when a credit union begins to show signs of financial or operating weaknesses.

Calculation Type: Noncumulative

New Measure: No

Target: 98%

Desired Performance: Higher than target

### **Strategic Goal 2**

#### **1. Number of New Rules Adopted**

Definition: Number of new rules adopted by the Commission during the reporting period.

Data Limitations: Often the adoption of new rules is the result of innovations or other changes in the financial services market place, which the Department has no control over.

Data Source: When a new rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the new rule becomes effective.

Methodology: Count the number of new rules adopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to safety and soundness issues, as well as to innovations and changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

## **APPENDIX D**

### **Performance Measure Definitions**

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Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **2. Number of Rules Amended**

Definition: Number of rules amended by the Commission during the reporting period.

Data Limitations: Often the adoption of amendments to existing rules is the result of innovations or other changes in the financial services market place, which the Department has no control over.

Data Source: When an amendment to an existing rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the amendment becomes effective.

Methodology: Count the number of amended rules adopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to safety and soundness issues, as well as to innovations and changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **3. Number of Rules Re-Adopted without change**

Definition: Number of rules readopted by the Commission during the reporting period.

## **APPENDIX D**

### **Performance Measure Definitions**

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Data Limitations: The Department has no control over whether the reasons for adopting a rule continue to exist. Assuming the language of the rule was initially written clearly, modification is not warranted.

Data Source: When a readopted rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the readopted rule becomes effective.

Methodology: Count the number of rules readopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **4. Number of Applications Processed**

Definition: The number of complete applications approved or denied during the reporting period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

Data Limitation: The Department has no control over the number of applications received.

Data Source: When an application is received, the following data is entered into the database: name of credit union, date the application is received, and the nature of the application. When the application has been reviewed and deemed complete, the date the Department acknowledges the application is complete and, if applicable, the dates notice will be published in the *Texas Register* and the Department Newsletter are also entered. An application is considered to be complete when the commissioner or his designee has determined that the application has been properly filed and includes all the information deemed necessary to make a decision. At the appropriate time, the decision date is entered into the database, and an elapse time is calculated.

## **APPENDIX D**

### **Performance Measure Definitions**

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Methodology: Total the number of applications processed for the reporting period. Do not include withdrawn applications.

Purpose/Importance: This measure is used as the denominator to calculate the outcome measure percentage of complete applications approved or denied within 60 days.

Related Measure: Percentage of Complete Applications Approved or Denied within 60 days.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

#### **5. Number of Requests for Interpretations/Opinions Relating to the Act & Rules Processed**

Definition: The number of written requests for statutory or rule related interpretations or opinions responded to by the Department during the reporting period.

Data Limitation: The Department has no control over the number of requests received.

Data Source: Department staff maintains a correspondence database that flags requests for interpretations or opinions. The database tracks the date correspondence is received, the name of the party from whom it was received, subject of the correspondence, whether it is a request for an interpretation or opinion, the date the Department's response was sent, and the number of days elapsed between the receipt and response dates. The database is updated daily.

Methodology: Count the total number of requests responded to during the applicable reporting period. A request for an interpretation or opinion must be a formal request received in writing, must concern an existing statute or commission rule, and must be responded to by the commissioner or his designee.

Purpose/Importance: The measure represents the denominator of the outcome percentage relating to the percentage of requests for interpretations/opinion responded to within 30 days of receipt.

Related Measure: Percentage of Interpretations and Opinions Issued within 30 days.

Calculation Type: Cumulative

New Measure: No

## **APPENDIX D**

### **Performance Measure Definitions**

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Target: Informational Measure

Desired Performance: Neutral

#### **6. Number of Contested Cases Referred to State Office of Administrative Hearings**

Definition: The number of decisions issued by the Commissioner for which a hearing is requested during the reporting period.

Data Limitation: The Department has very little control over which decisions will be contested.

Data Source: The General Counsel keeps a file of all contested cases referred to SOAH. When a case is referred to SOAH it is added to the file.

Methodology: Count the number of contested decisions that were referred for a hearing before an Administrative Law Judge with the SOAH for the reporting period.

Purpose/Importance: This measure tracks the number of decisions in which a party objects to the findings or conclusions of law set forth by the Commissioner.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

#### **7. Number of Public Information Act Requests Processed**

Definition: The number of requests for information received under the Texas Public Information Act during the reporting period.

Data Limitations: The Department has no control over the number of requests received.

Data Source: When the Department receives a request under the Public Information Act, the following information is entered into a database: the name of the party making the request, the date the request is received, the date the information is provided, and the nature of the request. Cost information is also maintained in this log.

Method of Calculation: Count the number of open record requests the Department received during the applicable reporting period.

## **APPENDIX D**

### **Performance Measure Definitions**

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Purpose/Importance: This measure is one indicator of the level of Department interaction with the general public. It also aids us in determining what information should be made available on the agency's web site.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

#### **8. Number of Public Forums in Which the Department Participated**

Definition: The number of public forums attended by the senior Department management.

Data Limitation: Travel budget limits may restrict the number of such events that can be attended.

Data Source: Senior management employees are asked each month to itemize which, if any, of the following they have attended: Credit Union League chapter meetings, meeting with credit union officials for non-examination related purposes, participating in public forums, speaking at credit union functions such as annual meetings, serving as facilitators or instructors at seminars or specialized conferences, or attending conferences with other regulators. The information is entered into a database.

Methodology: Count the number of public forums attended by the senior Department management. Database query is run for the reporting period and the number is given in the report. No calculation necessary.

Purpose/Importance: This measure is one of the tools used to track the Department's interaction with credit unions and the general public in order to disseminate information about the credit union industry and the mission of the Department.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

**APPENDIX D**  
**Performance Measure Definitions**

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**9. Total Assets (Dollars) in State-Chartered Credit Unions**

Definition: Consolidated total assets of Texas state chartered credit unions as reported in quarterly call reports.

Data Limitations: Asset growth of safe and sound credit unions is outside of the Department's control.

Data Source: Quarterly Call Report data filed with the Department by each credit union. For September through November, use the call report for the preceding June 30th; for December through February, use the call report for the preceding September 30th; for March through May, use the call report for the preceding December 31st; for June through August, use the call report for the preceding March 31st.

Methodology: Report the total assets of Texas state chartered credit unions, as reported on the quarterly Call Reports, expressed in billions.

Purpose/Importance: This explanatory measure indicates the extent of the Department's responsibility in seeing that the shares and deposits of Texas citizens are protected through the regulation of state credit unions.

Related Measure: Average Regulated Assets Per Examiner.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

**10. Percentage Increase in Total Aggregate Credit Union Assets**

Definition: The increase in consolidated total assets of credit unions as reported in quarterly call reports divided by consolidated total assets of credit unions.

Data Limitations: Asset growth of safe and sound credit unions is outside of the Department's control.

Data Source: Quarterly Call Report data filed with the Department by each credit union.

Methodology: Calculate the increase in consolidated total assets of credit unions over the prior reporting period and divide by the consolidated total assets of credit unions for the same period.

## **APPENDIX D**

### **Performance Measure Definitions**

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Purpose/Importance: This explanatory measure indicates the extent of the Department's responsibility in seeing that the shares and deposits of Texas citizens are protected through the regulation of state credit unions.

Related Measure: Average Regulated Assets Per Examiner; Total Assets (Dollars) in State-Chartered Credit Unions.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **11. Percentage of Rule Changes provided to Credit Unions Within 60 Days After Adoption**

Definition: The number of new, amended, and readopted rules that are mailed out within 60 days of their final adoption by the Commission, expressed as a percentage of the total number of rules adopted during the same reporting period.

Data Limitation: None

Data Source: The date a new, amended, or readopted rule is adopted, as well as the date the new pages for the Texas Laws and Regulations for Credit Unions are sent out to credit unions, is entered into a database and tracked accordingly.

Methodology: Divide the number of rule changes provided to credit unions within 60 days of the effective date of their adoption by the number of rule changes adopted during the same reporting period.

Purpose/Importance: The measure indicates how quickly credit unions are informed of changes affecting their operations or Department operations.

Related Measure: Number of Rules Adopted

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target



**APPENDIX D**  
**Performance Measure Definitions**

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**12. Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt**

Definition: The number of written requests for interpretations and opinions responded to within 30 days of receipt, expressed as a ratio of all requests for interpretations and opinions responded to within the applicable time period. A request for an interpretation or opinion must be in writing, must concern an existing statute or Commission rule, and must be responded to by the Commissioner or his designee.

Data Limitation: If the nature of the request is such that the matter must be referred to the Attorney General's Office, the Department would be unable to respond within the 30 days.

Data Source: Department staff maintains a correspondence database that flags requests for interpretations or opinions. The database tracks the date correspondence is received, the name of the party from whom it was received, subject of the correspondence, whether it is a request for an interpretation or opinion, the date the Department's response was sent, and the number of days elapsed between the receipt and response dates. The database is updated daily.

Methodology: Divide the number of interpretations and opinions issued within 30 days of receipt by the number of requests for interpretations and opinions responded to for the applicable period.

Purpose/Importance: This measure provides an indication of the responsiveness of the Department in handling requests for interpretations and applicability of statutes and rules pertaining to credit unions.

Related measure: Number of Requests for Interpretations/Opinions Processed

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target

**Strategic Goal 3**

**1. Number of Complaints Processed**

Definition: The number of written complaints received from credit union members or members of the public relating to actions or inactions of a state-chartered credit union which are investigated and responded to in writing during the reporting period.

## **APPENDIX D**

### **Performance Measure Definitions**

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Data Limitation: The Department has no control over the number of complaints received.

Data Source: When a complaint is received, the following information is entered into a database: the date received, name of the complainant, the name of the credit union, the nature of the complaint, and the date the complaint is acknowledged and forwarded to the credit union. When the credit union responds, the Department responds to the complainant. The dates of the credit union response and the Department response, as well as the cost of handling the complaint, are entered into the database. The complaint is closed when the Department sends its reply to the complainant.

Methodology: Total the number of complaints closed during the reporting for this measure. Do not count any complaints that were withdrawn.

Purpose/Importance: This measure represents the denominator of the outcome percentage relating to the percentage of complaints investigated and resolved within 30 days of receipt.

Related Measures: Percentage of Complaints Investigated and Responded to within 30 Days.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

## **2. Percentage of Credit Unions Providing Services to Low Income or Underserved Populations**

Definition: Number of credit unions with official low income designations as a percentage of the number of state chartered credit unions for the same reporting period.

Data Limitations: While credit unions that are located in low income or underserved areas are encouraged to apply for the designation, the Department has no control over how many credit unions will apply for the low income designation.

Data Source: Low-income approval letters are retained in a file. The Department also maintains an excel spreadsheet of the credit unions that have received an official low-income designation.

Methodology: Divide the number of state-chartered credit unions that are approved for a low-income designation pursuant to Part 705.3(a) of the National Credit Union Administration's Rules and Regulation by the total number of state-chartered credit unions for the same reporting period.

## APPENDIX D

### Performance Measure Definitions

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Purpose/Importance: This measure indicates the number of credit unions that primarily serve Texas citizens that are close to the national poverty level, as well as citizens that live in areas with limited access to financial institutions.

Related Measure: Number of State Chartered Credit Unions.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

### **3. Percentage of Complaints Investigated and Responded to Within 30 Days of Receipt**

Definition: The number of written complaints from credit union members or members of the public, relating to actions or inactions of a state chartered credit union, which are investigated and responded to in writing within 30 days of receipt of the complaint, expressed as a percentage of all complaints responded to for the applicable time period.

Data Limitation: The Department sends the affected credit union a copy of the complaint within two business days from the date the Department receives it. The Department asks the credit union to respond to the Department in writing within 15 days of the date our letter is sent. If the credit union does not provide us with a timely response, it is more likely that the Department cannot arrive at a determination within the allotted 30-day time period.

Data Source: When the Department receives a written complaint, the following information is entered into a database: the date the complaint is received, name of the complainant, the name of the credit union, and the nature of the complaint. When resolved, the date closed and the cost of handling the complaint is entered into the database. The elapse time is then generated by the program.

Methodology: Divide the number of written consumer complaints received and responded to within 30 days of their receipt by the number of consumer complaints responded to during the applicable period. A complaint is considered received once the complainant has provided sufficient information regarding the nature of the complaint for the Department to begin an investigation. The investigation includes obtaining a response from the subject credit union. A complaint is considered closed when the Department has sent a response to the complainant.

Purpose/Importance: This measure provides an indication of the responsiveness of the Department in handling consumer complaints.

Related measures: Number of Complaints Processed.

## **APPENDIX D**

### **Performance Measure Definitions**

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Calculation Type: Noncumulative

New Measure: No

Target: 95%

Desired Performance: Higher than target

#### **Strategic Goal 4**

##### **1. Annual Examiner Turnover Rate**

Definition: Number of examiner resignations as a percentage of the number of examiner positions.

Data Limitations: The Department's ability to control turnover is very limited. Most examiners resign because of less than competitive salaries and/or excessive travel. Salaries are limited by the minimum and maximum salary levels of the state classification plan, as well as by budgetary constraints. To the extent possible, examinations are scheduled to reduce the number of consecutive weeks out of town.

Data Source: New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet.

Method of Calculation: Divide the number of examiner resignations received during a reporting period by the total number of examiner FTEs for the same period.

Purpose/Importance: Because turnover results in a less experienced examination staff, this measure is one indicator of the Department's ability to meet the examination completion-related goals.

Calculation Type: Noncumulative

New Measure: No

Target: Information Measure

Desired Performance: Neutral

##### **2. Average Regulated Assets per Examiner**

Definition: Total amount of credit union assets regulated per examiner.

## **APPENDIX D**

### **Performance Measure Definitions**

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Data Limitations: Asset growth of the credit union industry is outside of the Department's control.

Data Source: Each credit union must file a quarterly report that contains a balance sheet, income statement, and other financial reporting schedules. The number of examiners on staff is maintained on an Excel spreadsheet, as well as on the USPS system. The Uniform Statewide Payroll System (USPS) report 21 can be used to verify staff paid for each month of the reporting period and averaged to determine number of examiners.

Methodology: Divide the total assets of state-chartered credit unions by the average number of examiners on staff during the reporting period. Average number of examiners is the cumulative number of examiners on staff at the end of each month, divided by the number of months in the reporting period.

Purpose/Importance: This measure is an indicator of the workload placed on the agency's examination staff.

Related Measures: Total Assets of Credit Unions.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

### **3. Annual Staff Turnover Rate**

Definition: Number of staff resignations as a percentage of the number of staff positions.

Data Limitations: The Department's ability to control turnover is very limited and several employees are eligible to retire.

Data Source: New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet.

Method of Calculation: Divide the number of staff resignations received during a reporting period by the total number of FTEs for the same period.

Purpose/Importance: Because turnover results in a less experienced staff, this measure is one indicator of the Department's ability to meet its goals.

Calculation Type: Noncumulative

**APPENDIX D**  
**Performance Measure Definitions**

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New Measure: Yes

Target: Information Measure

Desired Performance: Neutral

**4. Number of Days of Employee Training**

Definition: Number of days of formal training attended by staff members.

Data Limitations: None

Data Source: This measure tracks the amount of time spent attending training or educational course related to job performance or enhancing job skills.

Method of Calculation: Calculate total number of work days attending training for the reporting period. The Executive Assistant reviews work reports for the applicable period and verifies the number of training days for the applicable period.

Purpose/Importance: This measure indicates the Commission's willingness to invest in its most valuable resources.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

**5. Number of Purchases Made From HUB Vendors**

Definition: The number of purchases made from vendors who are designated as a historically underutilized business by the State of Texas during the reporting period. This does not include travel or transactions between agencies. It does include TIBH.

Data Limitation: The Department has no control over vendors who may be interested in providing services at the lowest cost to the agency.

Data Source: Comptroller of Public Accounts maintains the list of HUB vendors. The Department's Staff Services Officer maintains the list of contracts awarded to HUBs.

Methodology: Report total number of purchases made from HUBs for the reporting period, including TIBH, and excluding travel and transactions between agencies.

## **APPENDIX D**

### **Performance Measure Definitions**

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Purpose/Importance: This measure tracks the Department's compliance with Chapter 2161 of the Government Code.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **6. Percentage of Purchases Made From HUB Vendors**

Definition: The number of purchases made from vendors who are designated as a historically underutilized business divided by the number of purchases made for the reporting period. This does not include travel or transactions between agencies. It does include TIBH.

Data Limitation: The Department has no control over vendors who may be interested in providing services at the lowest cost to the agency.

Data Source: The Department's Staff Services Officer maintains the list of contracts awarded and which are designated as a HUB.

Methodology: Divide the total number of purchases made from HUBs for the reporting period by the total aggregate number of purchases made by the Department for the reporting period, including TIBH, and excluding travel and transactions between agencies.

Purpose/Importance: This measure tracks the Department's compliance with Chapter 2161 of the Government Code.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

#### **7. Percentage of Credit Unions Indicating Quality Service Received on Annual Survey**

Definition: The number of credit unions indicating the Department provides quality service, expressed as a percentage of the number of credit unions responding to that particular question on the annual survey.

## **APPENDIX D**

### **Performance Measure Definitions**

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Data Limitation: Responding to the survey is voluntary. The Department cannot control the number of responses it receives.

Data Source: The Department sends out a survey each March to all state-chartered credit unions. One of the questions asked on the survey is “Do you believe the Department provides your credit union with quality service?” Respondents answer yes or no.

Methodology: Divide the number of credit unions reporting receipt of quality service from the Department by the number of credit unions responding to that question on the survey.

Purpose/Importance: This measure provides an indication of the state-chartered credit union industry's perception of the quality of regulation and supervision received from the Department.

Calculation Type: Noncumulative

New Measure: No

Target: **90%**

Desired Performance: Higher than target





## Texas Credit Union Department Fiscal Year 2014-2015 Workforce Plan

### **I. Agency Overview**

The Texas Credit Union Department was established as a separate agency in 1969 to supervise and regulate state chartered unions. This is accomplished through annual examinations of each credit union to ensure enforcement of laws, rules, bylaws, and sound business practices, imposing appropriate administrative sanctions, diligent monitoring between examinations, and aggressive remedial efforts when needed.

The administrative office of the agency is domiciled in Austin, but field examiners are based in Dallas/Fort Worth and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a Chief Examiner, an administrative technician and the Deputy Commissioner. The remaining positions include the Commissioner, Assistant Commissioner/General Counsel, Network Specialist and supporting staff in Austin (See Attachment A: TCUD Organizational Chart).

The Department currently is authorized for 24.5 FTEs and does not anticipate expanding the workforce unless the number and assets of regulated credit unions increase significantly. Operating fees paid by the credit unions cover all agency expenses, including payments to other state agencies, such as the Office of Attorney General, for services performed.

#### ***A. Agency Mission***

*The mission of the Texas Credit Union Department is to supervise, regulate and examine Texas state-chartered credit unions in order to safeguard the public interest, protect the financial interests of credit union members and promote public confidence in the credit union industry.*

**APPENDIX E**  
**Workforce Plan**

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***B. Strategic Goals and Objectives***

The Texas Credit Union Department has three main goals

Goal A	<b>EFFECTIVE SUPERVISION AND REGULATION</b>
Objective	To effectively supervise and regulate state-chartered credit unions through enforcement of safety and soundness standards and compliance with the Texas Finance Code, and in a manner that balances the interest of the membership and the need for public confidence in the credit union system.
Strategies	<ul style="list-style-type: none"> <li>• Examine all credit unions within 18 months of previous examination</li> <li>• Take appropriate enforcement action in problem credit unions</li> <li>• Perform remedial examinations when necessary</li> <li>• Respond promptly to consumer complaints</li> <li>• Respond promptly to requests for interpretations or opinions</li> <li>• Process applications in a timely manner</li> </ul>

Goal B	<b>INSURE SAFETY AND SOUNDNESS</b>
Objective	Through interaction with the Credit Union Commission and the Legislature, recommend statutory and rule changes to ensure that credit unions operate in a safe and sound manner in a competitive and ever-changing financial services industry.
Strategies	<ul style="list-style-type: none"> <li>• Promulgate new and amended rules</li> <li>• Recommend statutory changes to the Legislature</li> <li>• Provide oversight of departmental operations</li> </ul>

Goal C	<b>PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES</b>
Objective	To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.
Strategies	<ul style="list-style-type: none"> <li>• Contact HUB contractors for bid proposals</li> <li>• Purchase from state contracted HUB providers</li> </ul>

***C. Anticipated Changes in Strategies***

The agency does not anticipate major changes to its business or workforce strategies. Offsetting the decline in the number of state-chartered credit unions is the increase in total assets of credit unions. The current growth in assets of state chartered credit unions has come primarily from expansion of field of membership and services offered by existing credit unions.

Using a risk-focused examination process, examiners give additional attention to areas of operation which have been identified in a risk assessment. Because of the disparity in the size and complexity of credit unions, examiners remain generalists in terms of their expertise. However, examiners exhibiting an interest in or special abilities in a particular discipline (lending, investments, internal controls, etc.) will be provided with more specific training in that discipline. Due to the increased use of information technology in credit union operations and the critical need for adequate back up and security for these systems, the Department anticipates increasing the scope of the information technology examination of credit unions each year. This will be accomplished by providing additional training to examiners.

**II. Current Workforce Profile**

***A. Critical Workforce Skills***

The agency has a core group of qualified employees at the present time. The examiners, which represent the majority of employees, must have degrees in accounting, finance, or economics with a minimum of six hours of accounting. Other skills that are important to the agency's ability to perform our business function include:

- Financial statement analysis
- Investment analysis
- Oral and written communication
- Investigative
- Loan analysis
- Internal control analysis
- Information technology analysis

The support staff must also possess skills that are critical to the operation of the agency. These skills include:

- Database development and maintenance
- Customer service
- Document processing
- Accounting/Payroll

## APPENDIX E

### Workforce Plan

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#### *B. Workforce Demographics*

The following charts profile the agency's workforce as of December 31, 2011. The agency is authorized 24.5 FTEs; currently it has 22.5 FTEs. The TCUD workforce is comprised of 63 percent males and 37 percent females. Sixty-eight percent of the employees are over the age of 40; the average age of a TCUD employee is 45 years. The average age of the examination staff is 37 years. The average tenure of an agency employee is 11.3 years; the average tenure of the examiners is only 9.2 years. Four examiners have been with the Department less than two years. There are two vacant examination positions.

The ethnic breakdown of the workforce is 63% Anglo, 35% African-American, 8% Hispanic and 4% Other. The 2010 Census showed a Texas population that was 45.3% Anglo, 11.8% African-American, 37.6% Hispanic, and 4.6% Other. Most census projections predict a rising Hispanic population in the state of Texas over the next 40 years.

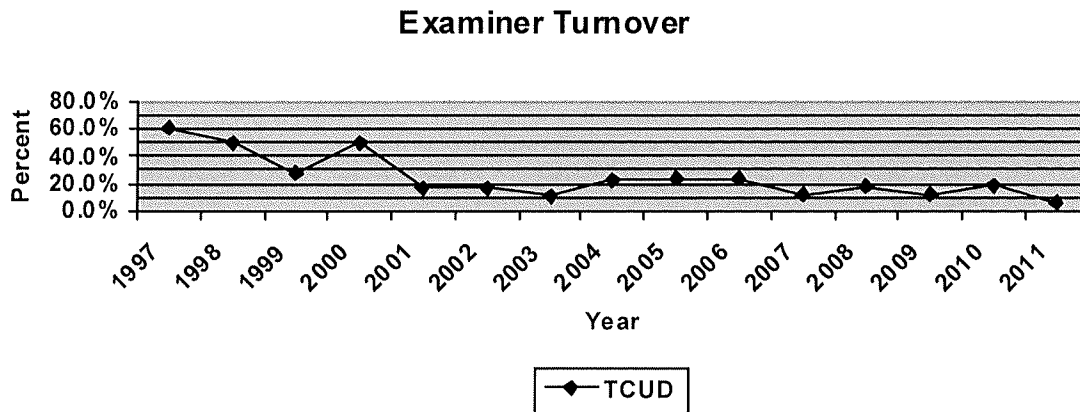
#### *C Employee Turnover*

Employee turnover is experienced by every business entity or governmental agency. It is costly to continually train new employees, diminishes efficiency of the staff, and adversely affects employee morale. The Credit Union Department experienced very high examiner turnover rates during the late 1990's, attributable to non-competitive salaries, travel requirements, and the nature of the work as a regulatory agency. Management and support staff positions remained constant during the same period. Examiners with experience in excess of 2-3 years become attractive to credit unions due to their wide diversity of experiences, exposure to many different situations, and familiarity with credit union laws and regulations. Experienced examiners were also attracted to the National Credit Union Administration (NCUA), the federal regulator, by higher salaries, less travel, and, in some cases, a recruitment bonus.

During the period from FY 2006 to FY 2011, three examiners (average tenure of 85.8 months) were hired by credit unions, one examiner (tenure of 44 months) was hired by NCUA, and one examiner (tenure of 65 months) was hired by the FDIC. Another 11 examiners left employment with an average tenure of 20.3 months.

## APPENDIX E Workforce Plan

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### ***D. Retirement Eligibility***

The agency was created in 1969, but through the years very few employees have remained with the agency until retirement. Based on available information, only nine employees have retired from the agency. Three retired in the early 1970's soon after the agency became independent from the Banking Department; four employees have retired from 1996-2002, one medically. At the end of FY2003, two employees retired, prompted by the retirement incentive package authorized by the 78<sup>th</sup> Legislature. At the current time, five employees are eligible for retirement, with two more employees becoming eligible within the next two years.

### ***E. Other Considerations***

While there is now an improved beginning salary for examiners, retention of experienced examiners will still be a problem as financial institutions and federal agencies still pay a higher salary and require less travel. Agency-wide, the turnover rate is expected to stay between 12% - 16% annually for at least the next few years. The Department is looking at other benefits and work condition enhancements to help with examiner retention.

## **III. Future Workforce Profile**

### ***A. Critical Functions***

- Risk based examination program
- Electronic delivery of examinations
- Offsite monitoring
- E-commerce security

### ***B. Expected Workforce Changes***

- Increased use of technology to revise and streamline work processes
- Examiners having specialized areas of expertise

**APPENDIX E**  
**Workforce Plan**

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***C. Anticipated Increase/Decrease in Number of Employees Needed to Do the Work***

- No immediate increase or decrease expected in FTE count

***D. Future Skills Needed***

To effectively perform and process examinations, the agency relies upon a competent and knowledgeable staff. The skills mentioned previously under *Critical Workforce Skills* should be constant for the future; no immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience, their skills should become more refined; employees whose skills do not significantly improve or expand may not be retained.

**IV. Gap Analysis**

***A. Anticipated Surplus or Shortage of Workers or Skills***

After analyzing the workforce information, the Credit Union Department believes that there is only one main gap between the agency's workforce supply and demand that needs to be addressed.

***1. Attracting and retaining the right employees for the job***

- Competing for business majors with at least 6 hours of accounting
- Younger employees are not staying with agency
- Assuring experienced, well-performing employees of regular salary increases and competitive salaries

**V. Strategy Development**

Gap	Attracting and Retaining the Right Employees
Goal	Become an employer of choice and offer career opportunities
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, provide career opportunities, and support innovation and excellence.

**APPENDIX E**  
**Workforce Plan**

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Action Steps	<ul style="list-style-type: none"><li>• Continue regular pay increases for performance</li><li>• Allow employees who are seeking new challenges to work on special projects, or assign development projects</li><li>• Provide training in specialized areas related to the examination process</li></ul>
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With the exception of increasing the scope of the information technology examination, the Credit Union Department is not anticipating changes in the examination process during the next 2-3 years. While the agency has only 24.5 FTEs, retirements are not expected to adversely impact the organization. Other employee turnover is expected to stabilize with the salary increases and other incentives aimed at retention. Major organizational changes are also not anticipated.

**APPENDIX F**  
**Survey of Employee Engagement**

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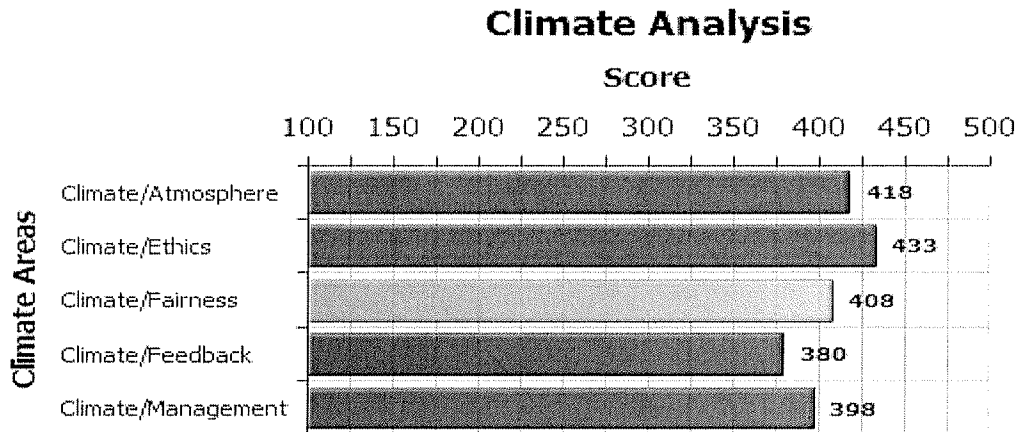
**Credit Union Department**  
**2011 Survey of Employee Engagement**  
 Selected Results

**Respondent Information**

	<u>2008</u>	<u>2010</u>	<u>2011</u>
Number of employees who completed the survey	19	20	20
Supervisory	7	6	6
Non-supervisory	11	14	13
Not indicated	1	0	1
Female	5	6	8
Male	14	13	11
Not indicated	0	1	1

**Scores on Survey Climate and Constructs**

Each Climate Area is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.





## **APPENDIX F**

### **Survey of Employee Engagement**

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#### **Climate Definitions:**

**Atmosphere:** The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.

**Ethics:** An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.

**Fairness:** Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

**Feedback:** Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.

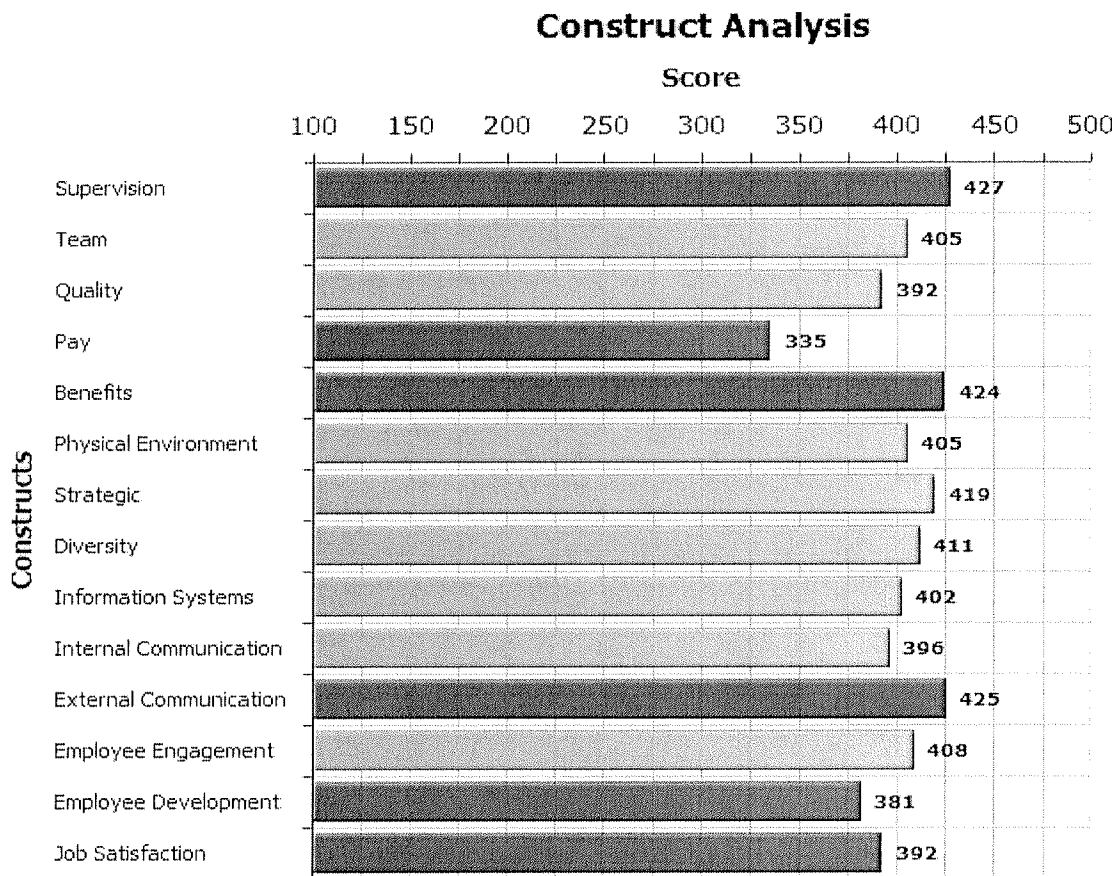
**Management:** The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.

## APPENDIX F

### Survey of Employee Engagement

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Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



**APPENDIX F**  
**Survey of Employee Engagement**

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**Primary Questions**

	<u>Credit Union Department</u>				<u>State</u>
	<u>2006</u>	<u>2008</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
1. We are known for the quality of service we provide	4.00	3.74	3.90	3.95	3.9
2. Our goals are consistently met or exceeded	3.89	3.78	3.94	4.06	3.89
3. Every employee is valued	3.79	3.72	3.90	4.00	3.53
4. The right information gets to the right people at the right time	3.68	3.74	3.60	3.90	3.30
5. The work atmosphere encourages open and honest communication	3.47	3.39	3.60	4.00	3.48
6. Work groups are trained to incorporate the opinions of each member	3.93	3.40	3.79	3.90	3.47
7. Employees have an opportunity to participate in the goal setting process	3.47	3.28	3.70	3.68	3.62
8. We work well with our governing bodies (the legislature, the board, etc.)	4.06	3.68	4.15	4.37	3.88
9. Decision making and control are given to employees doing the actual work	3.79	3.61	3.90	4.25	3.49
10. There is a basic trust among employees and supervisors	3.58	3.56	3.70	3.85	3.42
11. Employees have adequate resources to do their jobs	4.11	3.89	3.80	3.95	3.85
12. Training is made available to employees so that they can do their job better	4.26	4.06	4.05	3.85	3.83
13. There is a feeling of community within this agency	3.50	3.47	3.63	3.95	3.63
14. Salaries are competitive with similar jobs in the community	3.37	2.79	3.15	3.00	2.67