



2019

ANNUAL REPORT





February 11, 2020

ANNUAL MEETING



MEETING AGENDA

- ☐ Meeting Called to Order
- ☐ Invocation
- ☐ Welcome by Board Chairman
- ☐ Verification of a Quorum
- ☐ Meeting Minutes: February 12, 2019
- ☐ Chairman's Report
- ☐ Treasurer's Report
- ☐ Supervisory Committee's Report
- ☐ Election of Officials
 - Nominating Committee's Report
 - Nominations from the Floor
 - Vote / Collect and Count Ballots
- ☐ Old Business
- ☐ New Business
- ☐ Adjournment

OUR HISTORY

Originally founded on October 21, 1937, towards the end of the Great Depression, Houston Police Credit Union was created by Houston police officers as a means to establish a financial institution that was owned and operated by the local police force—a financial cooperative. Their mission was to provide reasonably-priced loans and a safe place for life savings for Houston Police Department employees and their families.

The credit union had 14 charter members and in the beginning was a meager operation. When a member wanted to apply for a loan, an appointed officer would take the paperwork in his squad car to the member and then return the forms to the credit union, which was originally a small office in HPD's Property Room. Alex Laux was the first approved loan. The loan limit was \$25.00.

In 1966, with over 2,150 members and \$2.5 million in total assets, the credit union grew large enough to warrant moving out of HPD headquarters and into a separate building. Located at 1600 Memorial Drive, it is still in use as the main branch today.

Membership, assets, and product and service offerings has continued to increase over the years. With a board of directors comprised of HPD executives and officers, the credit union has continued to remain relevant to the lives of its members, even adapting the drive-up at the main branch to accommodate various official vehicles including SWAT trucks and helicopters.

As our membership has grown, so has the credit union. As of 2020, the credit union serves HPD staff, employees, and their families in three locations. Membership has grown to over 29,000 and assets have reached over \$751 million. From serving academy recruits with equipment loans to retirement savings and planning, our credit union has become a vital part of our members' lives through every stage of their career.



February 12, 2019

MEETING MINUTES

Chairman, Dennis Storemski, called the meeting to order at 7:00pm.

The following members of the board of directors were present: Dennis Storemski, Bobby Camp, Renita Ferguson, Mattie Provost and Richard Retz.

The following members of the supervisory committee were present: Mark Smith and Scott Simmons.

Monty Montgomery, Houston Police Department's Chaplain, gave the invocation.

Mr. Storemski began by welcoming everyone to the annual meeting. He introduced the members of the board of directors, supervisory committee and executive staff. Mr. Storemski thanked the volunteers and the entire HPCU staff for their hard work and the achievement of another successful year.

Mr. Storemski announced that Clifford Simmons, long-time board member, former supervisory committee member and good friend, recently passed away. He reported that Mr. Simmons was a dedicated and hardworking individual. He served as a volunteer of the credit union for over 30 years, serving on many board committees while rarely missing a meeting.

Mr. Storemski reported that the credit union had another successful year in 2018, with assets of over \$721 million and memberships over 28,000. The credit union finished the year with a 14.13% net worth ratio, doubling the well-capitalized standard of 7.00%.

Mr. Storemski reported that a long-standing goal of HPCU has been to maintain interest rates on loans lower than our competitors and to maintain savings dividend rates as high as possible. He explained that our 2.00% dividend rate on the first \$100,000.00 in shares is significantly more than the norm, as most credit unions and banks are paying less than 1.00% on savings accounts. In 2018, the credit union had over \$612 million in deposits, an increase from the previous year.

Mr. Storemski reported that the credit union finished 2018 with a loan-to-asset ratio of 60.12%, with total loans of \$434 million, being the highest loan ratio experienced in many years.

Mr. Storemski reported that since the credit union exceeded its net worth ratio target threshold in 2018, the membership was given an 11.195% rebate on any interest they paid on loans and a 11.195% bonus on dividends earned. He reported that over \$3 million of the credit union's earnings were returned to the membership in early January.

Mr. Storemski reported that HPCU joined the Allpoint ATM network in efforts to increase the number of free ATMs available to the membership. He explained that the network is the largest fee-free ATM network in the US with 55,000 world-wide, 43,000 in the US and 5,000 in the Houston area.

Mr. Storemski announced that to improve the efficiency of the credit union

operations and to meet the mobile and home banking expectations of the members, the credit union will convert to a new core system processor and home banking system the first quarter of 2020.

Mr. Storemski thanked everyone with the Houston Police Department and their families for attending the annual meeting. He reported that the success and future of the credit union is a direct result of member loyalty and participation for the past 81 years and many years to come.

Mark Smith, Supervisory Committee Member, verified a quorum was present.

As everyone had been presented with the 2018 Annual Report, a motion was made to dispense with the reading of the minutes of the previous meeting and accept the minutes as presented. The motion was seconded and passed.

A motion was made to dispense with the reading of the Chairman's Report, the Treasurer's Report, and the Supervisory Committee's Report and to accept them as presented. The motion was seconded and passed.

At this time, Mr. Storemski reviewed the election procedures and introduced Mark Smith, Committee Chairman of the Nominating Committee. Mr. Smith reported that the following were the nominations from the committee:

Board of Directors – 3 Year Term: Renita Ferguson, Richard Retz

Board of Director – 2 Year Term: Wendy Baimbridge

Board of Director – 1 Year Term: Milton "Wyatt" Martin

Mr. Storemski then asked for nominations from the floor. A second call was made for nominations from the floor. After a third call for nominations from the floor, a motion was made to cease nominations and elect the nominees by acclamation. The motion was seconded and passed.

Mr. Storemski then asked for any old business that needed to come before the membership. There was none.

Mr. Storemski followed with a request for any new business. There was none reported.

The next item on the agenda was a barbecue dinner. After the dinner was served, cash drawings totaling \$5,000.00 were held.

A motion was then made to adjourn. The motion was seconded, and it passed.

D. J. Storemski, Chairman

R. L. Ferguson, Secretary-Treasurer



Report from the BOARD CHAIRMAN



DENNIS STOREMSKI
Chairman

We are proud to announce that Houston Police Credit Union is one of the safest and most stable credit unions in America. Investment yields were up throughout the nation in 2019, and HPCU continued to offer some of the highest savings rates available while maintaining and bolstering the financial strength of the credit union. We believe you, our members, are greatly comforted knowing the value of membership with a strong financial partner.

Throughout 2019, HPCU maintained its top-rated performance in many areas, including a 4.44 percent loan growth without diminishing loan quality. Our financial growth increased significantly as we made it possible for over 2,900 members to purchase a new or pre-owned vehicle borrowing over \$101.2 million. Nearly 200 members took advantage of our low home equity loan rates, borrowing over \$20.9 million collectively for home improvements, debt consolidation and other financial purposes. Plus, over 3,100 members took advantage of our competitively priced loans and saved thousands by consolidating expenses with personal loans totaling over \$38.8 million. By year-end, our total loans were \$452.3 million.

Complemented by controlled asset growth, we ended 2019 with a loan to asset ratio of 60.26 percent. Our net worth grew to 14.26 percent as well. For the second consecutive year, we declared and deposited a bonus dividend and interest refunds into the primary savings

of all eligible members in January 2020. The success of the credit union is mutually beneficial as you continue to engage with HPCU for all your financial needs.

We have been working diligently on projects to ensure that we remain positioned for the future. In March 2020, we will be upgrading our systems. The system upgrade includes an enhanced experience for you using telephone, online and mobile banking, and bill pay. The upgrade is essential to the credit union's future and our ability to remain fit to serve you for the years to come. It will also help our employees serve you more efficiently without sacrificing the personal service you have come to know and expect from us. Our employees have spent months preparing for a smooth transition and therefore, it is extremely important that you familiarize yourself with all information mailed and emailed to you. Also, you can stay informed by visiting HPCU.coop.

Thank you for making HPCU your credit union. We appreciate your membership and look forward to maintaining the trust you place in us as your lifetime financial partner. Together, we will make 2020 another positive financial year for both the credit union and our members.

Respectfully submitted,

Dennis Storemski,
Chairman



Giving back to our
MEMBERS

2019 WAS ANOTHER GREAT YEAR THANKS TO OUR MEMBERS!

BONUS DIVIDEND & INTEREST REFUNDS

We returned
\$3,459,213.04

29,736 members had a bonus dividend
and/or interest refunds deposited

The average deposit was **\$116.33***



Savings & Checking Accounts

(includes CDs, IRAs
and ESAs)

\$1,161,651.12



Mortgages **\$82,475.82**



Loans

(includes home equity loans and
HELOCs; excludes mortgages
owned by HPCU and serviced by CU
Members Mortgage and credit cards)

\$1,957,698.91



Credit Cards **\$257,387.19**

*Total members and average deposit amount based on membership totals as of 12/31/2019. Not all members met the eligibility requirements to receive a deposit.



Report from the SUPERVISORY COMMITTEE



MARK SMITH
Chairman

The core mission of Houston Police Credit Union is financial stability. The supervisory committee consists of volunteers who are appointed by the board of directors to serve with the purpose of ensuring our members that HPCU can be relied upon for financial strength and security.

The purpose of the supervisory committee is fulfilled by confirming that credit union policies and procedures adequately protect our members' interests, providing reasonable assurance that the regulations, policies and procedures that govern HPCU are properly followed, and providing an annual audit report of the credit union's financial condition and the results of its operations.

Examiners from federal agencies including the National Credit Union Administration (NCUA), along with the independent services of an external auditing firm, provide guidance to help both the supervisory committee and HPCU maintain mandated compliance with regulations and sound financial management policies.

Retained by the supervisory committee in 2018, Doeren Mayhew CPAs and Advisors, performed the audit of the credit union's financial statements as of and for the year ended December 31, 2018. Doeren Mayhew CPAs and Advisors awarded HPCU an unqualified opinion that the prior year records, audited in 2019, fairly represent the financial condition of the credit union.

In 2019, the supervisory committee retained the services of Doeren Mayhew CPAs and Advisors to perform an audit of HPCU's financial statements as of and for the year ended December 31, 2019. The supervisory committee is pleased to report these positive results and to be of service to the credit union's membership.

Respectfully submitted,

Mark Smith,
Chairman



Report from the BOARD TREASURER



RENITA FERGUSON
Secretary-Treasurer

Houston Police Credit Union remained strong and stable throughout 2019. HPCU's assets totaled \$751.4 million with a net income of \$5.2 million for the year ended December 31, 2019. This strong financial performance places the credit union at the forefront of several of its peer credit unions and in a position to offer some of the best products and services available to our members.

The credit union achieved \$452.8 million in total loans, an increase of 4.44 percent from 2018. Membership also increased in 2019 to over 29,700, allowing deposits to increase by 3.07 percent, totaling \$631.3 million. This growth demonstrates that members are utilizing the products and services offered by the credit union and are putting their trust in us. A contributing factor can be attributed to our higher-than-average savings rates and competitively low loan rates. In 2019, the credit union opened over 950 net new memberships and accepted over 14,000 credit applications to help members on their journey to financial success.

Throughout 2019, the HPCU board of directors and management team maintained careful practices to ensure that the credit union remains healthy

and well-capitalized. Our 14.26 percent net worth is very well regarded by our regulators, as the National Credit Union Administration (NCUA) considers a credit union well-capitalized if the net worth is 7.00 percent or higher. The NCUA receives detailed information from HPCU on a quarterly basis to measure our financial strength and net worth. Together, with our independent auditing firm and the credit union's management team, we continually measure financial success.

Our products and services have allowed us to continuously develop a brand that members can trust. As we look to the future, our commitment to providing quality products and services focused on helping our members achieve financial success remains our priority. I am pleased to report that given our strong operational, financial and membership growth in 2019, our credit union is well positioned for future growth.

Respectfully submitted,

Renita Ferguson,
Secretary-Treasurer



Credit Union OFFICIALS

BOARD OF DIRECTORS



DENNIS STOREMSKI
Chairman



BOBBY CAMP
1st Vice Chairman



RENITA FERGUSON
Secretary-Treasurer



RICHARD RETZ
Assistant Secretary-Treasurer



WENDY BAIMBRIDGE
Membership Officer



MILTON "WYATT" MARTIN
Member



MATTIE PROVOST
Member

SUPERVISORY COMMITTEE



MARK SMITH
Chairman



MATTHEW LEM
Member



SCOTT SIMMONS
Member



Report from the CREDIT UNION PRESIDENT



AYN TALLEY
President

Houston Police Credit Union had another strong year of performance in 2019, positioning ourselves for growth in 2020. We finished the year strong with \$107.8 million in our total reserves, boosting our capital ratio to 14.26 percent. Deposits increased by \$18.8 million and our loan portfolio growth was \$19.3 million in net balances. Assets grew to \$751.4 million, but perhaps our most exciting metric was welcoming a net of nearly 1,000 new members to HPCU. As the credit union for *Those Who Serve™* and those who support them, we strive to serve the men and women of the Houston Police Department and provide them with access to our not-for-profit products and services.

We continue to strive to meet your changing needs with new technologies and product deliverables to make your banking experiences easier and more enjoyable. 2020 is no exception. To better serve you, our members, we are in the process of upgrading our systems that will open new opportunities for product growth and innovation. The system upgrade will begin on Friday, February 28th and will be completed on Monday, March 2nd.

Several key business operations, products and services will be impacted during the system upgrade including, but not limited to:

- Branch and Call Center Hours
- Online & Mobile Banking including the Mobile App
- Bill Pay
- Quicken
- Telephone Banking
- CO-OP Shared Branch Network Availability

Many services will not be available, and our member service representatives will not be able to perform any banking transactions during the system upgrade. Please help us make this transition as seamless as possible by reviewing all communications sent by mail and email and provided online regarding the upgrade.

As we move HPCU forward in 2020, I would like to thank you for your membership over the years. Our ongoing success is directly from the support and loyalty of our members like you. We look forward to serving you and helping you achieve your future financial dreams.

Respectfully submitted,

Ayn Talley,
President



Supporting our POLICE COMMUNITY



Houston Police Credit Union proudly:

- Sponsored luncheons for new cadet classes 238, 239, 240, 241 and 242 during cultural diversity tours of Houston
- Assisted with tours and demonstrations for Houston-area school children during National Police Week
- Sponsored and volunteered at the Gary Gryder Memorial Softball Tournament
- Sponsored raffle items for the annual family picnic presented by the Houston Police Officers' Union and First Responders Benefit Trust
- Collected over \$600.00, donated by HPCU employees, to purchase blankets during the Youth Police Advisory Council's annual blanket drive
- Sponsored and participated in the 9/11 Heroes Run 5k + 1M fun run/walk presented by the Travis Manion Foundation
- Sponsored Mounted Patrol horse, "Loan Ranger", through the Houston Police Foundation's Adopt-A-Horse program
- Sponsored Assist the Officer's Annual Heroes' Gala





Credit Union MANAGEMENT

MANAGEMENT TEAM



AYN TALLEY
President



KIMBERLY FOSTER
Executive Vice President



DARLENE DAVIS
Senior Vice President



MICHAEL BOTELLO
Vice President



LEDETRI JENKINS
Vice President



STEPHANIE LONGRIGG
Vice President



RACHEL MIRANDA
Vice President



WAYNE STAFFORD
Vice President



MARY DODSON
Assistant Vice President



WILLIE PORTER
Assistant Vice President

OUR MISSION

Houston Police Credit Union exists to promote the financial well-being of its members. We will maintain the financial strength of the credit union through a broad range of innovative financial products, prudent management of our members' resources and the excellent service provided by a dedicated, well-trained staff.



2019

FINANCIAL SUMMARY

INCOME & EXPENSE

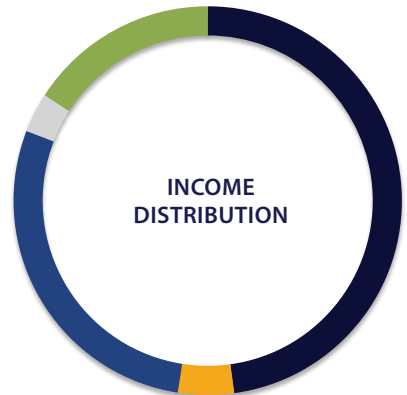
Total Operating Income	\$35,360,542.70
Total Expenses	\$17,344,766.34
Non-Operating Gain	\$39,884.67
Interest Refunds to Members	\$2,344,171.82
Total Income Before Dividend Distribution	\$15,711,489.21
Regular Dividends to Members	\$9,377,177.37
Bonus Dividends to Members	\$1,088,127.73
Net Income	\$5,246,184.11

ASSETS

Loans to Members	\$452,809,468.41
Investments	\$197,223,564.78
Daily Investments	\$8,838,262.63
Other Assets	\$92,538,175.19
Total Assets	\$751,409,471.01

LIABILITIES & EQUITY

Regular Savings	\$465,356,473.73
IRA Savings	\$47,691,315.96
Savings Certificates	\$35,788,397.29
Checking Accounts	\$82,524,272.34
Accounts Payable and Accrued Expenses	\$12,232,839.08
Regular Reserve	\$6,331,969.89
Undivided Earnings	\$101,484,202.72
Total Liabilities and Equity	\$751,409,471.01



■ Office Operating Expense 47.82%

■ Interest Refunds to Members 4.65%

■ Regular Dividends to Members 28.37%

■ Bonus Dividends to Members 3.29%

■ Reserve 15.87%



Five-Year SUMMARIES

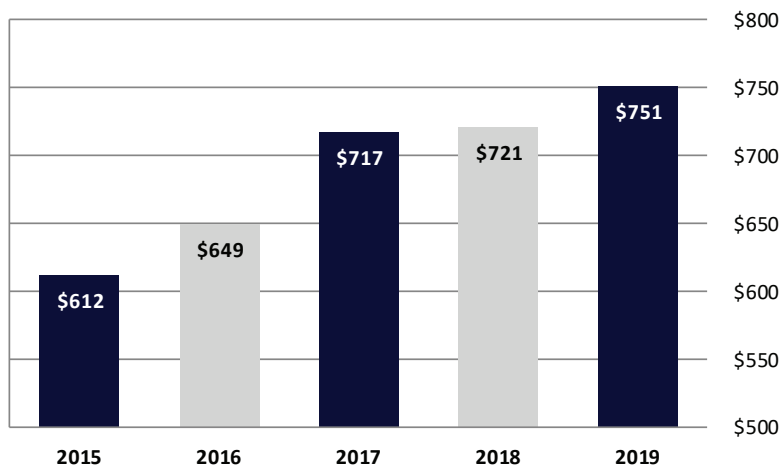
SUMMARY OF OPERATIONS

Dollar amounts in thousands

	2015	2016	2017	2018	2019
Total Assets	\$611,860	\$649,264	\$716,696	\$721,169	\$751,409
Loans to Members	\$326,081	\$370,403	\$409,176	\$433,555	\$452,809
Members' Savings	\$522,433	\$553,700	\$611,569	\$612,578	\$631,360
Total Reserves	\$80,386	\$86,769	\$93,326	\$96,388	\$107,816
Total Income Before Interest Refund	\$26,820	\$30,234	\$30,843	\$33,609	\$35,400
Total Expenses	\$12,728	\$13,887	\$15,762	\$16,472	\$17,345
Interest Refunds to Members	\$0	\$0	\$0	\$2,223	\$2,344
Total Income Before Dividend Distribution	\$14,092	\$16,347	\$15,081	\$14,914	\$15,711
Regular Dividends to Members	\$6,738	\$7,084	\$8,227	\$8,743	\$9,377
Bonus Dividends to Members	\$0	\$0	\$0	\$975	\$1,088
Net Operating Expense Ratio	0.81%	0.56%	0.78%	0.71%	0.79%

SUMMARY OF ASSET GROWTH

Dollar amounts in millions





2020

FEBRUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
		Annual Meeting			HPD Payday	
16	17	18	19	20	21	22
23	24	25	26	27	28	29
					HPD Payday	System Upgrade HPCU Closed



2020

MARCH

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2 System Upgrade HPCU Closed	3	4	5	6	7
8	9	10	11	12	13 HPD Payday	14
15	16	17	18	19	20 Shred Day	21
22	23	24	25	26	27 HPD Payday	28
29	30	31	1	2	3	4



2020

APRIL

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	1	2	3	4
5	6	7	8	9	10 HPD Payday	11
12	13	14	15	16	17	18
19	20	21	22	23	24 HPD Payday	25
26	27	28	29	30	1	2



2020
MAY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15 HPD Payday	16
17	18	19	20	21	22	23
24	25	26	27	28	29 HPD Payday	30 HPCU Closed
31 Memorial Day HPCU Closed						



2020

JUNE

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
31	1	2	3	4	5 HPD Payday	6
7	8	9	10	11	12	13
14	15	16	17	18	19 Shred Day HPD Payday	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4



2020
JULY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	1	2 HPD Payday	3 HPCU Closed	4 Independence Day HPCU Closed
5	6	7	8	9	10	11
12	13	14	15	16	17 HPD Payday	18
19	20	21	22	23	24	25
26	27	28	29	30 HPD Payday	31	1



2020

AUGUST

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	HPD Payday	22
23	24	25	26	27	28	29
30	31				HPD Payday	



2020

SEPTEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5 HPCU Closed
6	7 Labor Day HPCU Closed	8	9	10	11 HPD Payday	12
13	14	15	16	17	18 Shred Day	19
20	21	22	23	24	25 HPD Payday	26
27	28	29	30	1	2	3



2020

OCTOBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16 HPD Payday	17
18	19	20	21	22	23	24
25	26	27	28	29	30 HPD Payday	31



2020

NOVEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6 HPD Payday	7
8	9	10	11 Veterans Day HPCU Closed	12	13	14
15	16	17	18	19	20 HPD Payday	21
22	23	24	25	26 Thanksgiving Day HPCU Closed	27 HPCU Closed	28 HPCU Closed
29	30	1	2	3	4	5



2020

DECEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	1	2	3	4 HPD Payday	5
6	7	8	9	10	11	12
13	14	15	16	17	18 Shred Day HPD Payday	19
20	21	22	23	24 HPCU Closed	25 Christmas Day HPCU Closed	26 HPCU Closed
27	28	29	30	31 HPD Payday	1	2



2021

JANUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1 New Year's Day HPCU Closed	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 MLK Day HPCU Closed	19	20	21	22 HPD Payday	23 HPCU Closed
24	25	26	27	28	29	30
31					HPD Payday	



Personal NOTES

Dotted lines for writing notes.

Locations

Memorial Branch—Main: 1600 Memorial Drive, Houston, TX 77007

Travis Branch: 1200 Travis Street, Floor 20, Houston, TX 77002*

Willowbrook Branch: 17314 State Highway 249, Suite 107, Houston, TX 77064

713.986.0200 • 800.927.8707 • HPCU.coop

** Restricted access. Branch is available to members with security access to Houston Police Department only.*