

**2020 Bay Federal Credit Union Annual Meeting Transcript – August 18, 2020 at 5 PM**

**JASON STIDHAM, Communications & Development Manager:** Good evening and welcome to Bay Federal Credit Union's first virtual Annual Meeting! My name is Jason, Bay Federal Credit Union's Communications & Development Manager, and I will be your emcee for the event this evening.

First, a few items before we begin. This meeting will be recorded and will be made available to our attendees and others after the event. The full transcript will be available in English and Spanish.

By now, you should have received a copy of our Annual Report and Annual Meeting Minutes sent to your email address on file. We have the Annual Report and Annual Meeting Minutes available for review and download on our website.

During this meeting, you will have the opportunity to submit questions to our panelists. We will select some questions to address at the end of the meeting, and all questions will be answered to the best of our ability. Those questions that may require some additional consideration will be addressed by a member of our team the next business day.

It is now our pleasure to welcome Bay Federal Credit Union's Chairperson of our all-volunteer Board of Directors, Jim Phillips. Welcome, Jim!

**JIM PHILLIPS, Chairperson of Board of Directors:** Hi, good evening and welcome. It looks like I need to have my video activated. I'm unable to start video. Thank you. There we are. Great turnout! Good evening and welcome to Bay Federal Credit Union's annual meeting. I appreciate the time that you've taken to join us. I'd like to call the meeting to order. We've established a quorum, with well over 15 members in attendance.

And at this time, I'd like to call your attention to the minutes of last year's meeting. Do I have a motion to accept the minutes from our 2018 Annual Meeting held on March 26, 2019?

**RYAN CASH, VP/Chief Experience Officer:** I will motion.

**JIM PHILLIPS:** Do I have a second?

**AMY IVEY, VP/Marketing & Development:** I will second.

**JIM PHILLIPS:** Any discussion? You may submit questions or statements to our panelists. All in favor?

**PANELISTS:** Aye. Aye. Aye. Aye. Aye.

**JIM PHILLIPS:** Any opposed? **(Silence)** Motion carries there.

Okay, our Board of Directors and Supervisory Committee are volunteers from our membership who dedicate their time and expertise in service of the Credit Union. Each volunteer Board Member is selected from membership, and they represent a group of hardworking and committed professionals who put a lot of thought and consideration into the information in plans brought before them. At this time, I'd like to recognize our current Board of Directors, and that includes Vice Chair Taylor Bateman, Treasurer Piret Harmon, Secretary Kathleen Lawler Bodmer, Jordan Ciliberto, Jessica Dixon, Sheila Joyce Kellerman, Michael Leung, Dennis Osmer, and Associate Tami Corum.

I would also like to recognize our distinguished long term volunteers who still guide and support our efforts today as Board Emeritus. They are Bob Bugalski and H. Duane Smith.

Our Supervisory Committee members include Co-Chair Pat Pfremer, Co-Chair Suzanne Shaug, Richard Mills, Michelle Berridge, and Associate Barbara Callahan.

Our Annual Meeting is the opportunity for our membership to celebrate the Credit Union's successes during the prior year. It is an opportunity to provide an update on the organization's financial standing, and to look ahead to our future as members of Bay Federal Credit Union.

2019 was a year of growth, expansion, and achievement for Bay Federal Credit Union. We achieved several milestones including our assets reaching \$1 billion in assets and Bauer Financial Group providing us their highest rating, a 5-Star Superior rating, both of which speak to the strength, resiliency, and strong market share Bay Federal has in the communities we serve. Our organization garnered local and national recognition by providing stellar service and creating a vibrant employee experience as one of the most respected credit unions in business today.

Our focus on member service, commitment to the community, strategic partnerships, and growth of our lending portfolio are evident in our results. In 2019, Bay Federal Credit Union provided loans to help our friends and neighbors purchase life's necessities – a reliable vehicle, a home of their own, and education expenses for their children. We also assisted our members with planning for their future through investment and retirement planning. The organization continued to ease some of the financial burdens faced by our members through educational outreach, loan modifications, and financial support programs. Further, the organization has strived to provide a highly valued member experience through enhancements in online mobile banking solutions.

The Credit Union has continued to make significant investments in software solutions and technology infrastructure to best equip the Credit Union for success in a dynamic and ever-evolving business environment.

As Chair of Bay Federal Credit Union's Board of Directors, I know I speak for my fellow Directors and Supervisors when I say that our deep commitment to the financial well-being of our members continues to grow with every year that we serve. I would also say that this commitment extends beyond well beyond the Board of Directors to the Supervisory Committee, Management and employees who work with our members every day.

I want to thank the entire staff of Bay Federal for their hard work and dedication to the continued success of Credit Union and all of our member-owners for their long term commitment and membership.

It's my pleasure to now introduce Bay Federal Credit Union's President and CEO, Carrie Birkhofer.

**CARRIE BIRKHOFFER, President & CEO:** Thank you, Jim, and welcome to all of you for joining us this evening. Definitely a different format than what we're used to, but I really appreciate that you're here. I am excited to share with you the financial highlights and accomplishments we achieved in 2019, and provide insight to the Credit Union's direction during these unusual times.

I always like to bring some perspective into how far we have come by taking a short moment to walk along memory lane. Bay Federal Credit Union began on November 8, 1957 when 8 teachers each contributed \$5 of their own money to start Santa Cruz Teachers Federal Credit Union. Legend has it that they were in the break room at Santa Cruz High and they each put \$5 in a box. Their goal was to make it easier for the teacher community to save and borrow from each other to achieve their financial dreams. Our first loan was to a co-worker who needed to buy a crib for his new baby and we will always be grateful for the first 40 dollars contributed by our founding members.

Over the decades, the Credit Union has grown and evolved. Smaller credit unions merged with us to create a stronger offering for their members. The name of "Bay Federal Credit Union" was adopted in 1983. The original charter to serve teachers has expanded to include anyone who lives, works, attends school, volunteers, or worships in Santa Cruz, San Benito or Monterey Counties. We have encountered floods, fires, earthquakes, robberies, and the Great Recession, and we have survived them all emerging

stronger than before. Now, as we are in the midst of a global pandemic, we remain steadfast in the commitment to serve our members and our community through this unusual time.

Bay Federal has grown from our original \$40 in 1957 to over \$1.1 billion in assets and over 78,000 members at the end of 2019. Although we have grown over the years, our purpose remains the same as in the beginning. Our primary function continues to be providing loans to help our members achieve their dreams. As loans are paid back, the interest is used to help members in other ways by providing branch services, ATMs, digital banking, and other banking conveniences.

During 2019, we provided members reliable transportation by financing affordable auto loans, we helped members save money with refinancing their autos or homes at lower rates, made it possible for families to get into the first home they can call their own, and we advised members on how to save for the future such as retirement or their children's education. The results speak for themselves:

- In 2019, we granted \$60 million in local home loans and expanded our home loan product line to provide more affordable financing options.
- We funded \$29 million in new and used auto loans.
- Our Investment Services program serves over \$190 million of our member's assets.
- The Credit Union grew in strength, ending 2019 with strong capital reserves at 9.21% of assets.

In 2019, we made a number of improvements. We brought our members expanded investment options and new technology with our new broker/dealer relationship with LPL Financial. In July 2019, we completed our merger with Coast-Tel Federal Credit Union, welcoming our new members, and established our presence in Monterey County with a Salinas branch location. We relocated our Aptos branch, much to our members delight, from a busy parking lot to the new Rancho Del Mar Shopping Center. We upgraded our entire ATM fleet, bringing better technology and security for our members.

We also received a very special recognition for the unique culture that we have by being recognized as the nation's #1 "Best Credit Union to Work For!" We're really excited about that.

Bay Federal Credit Union has continued its long history of commitment and service to our community. Our employees regularly donated time and money to assist local non-profit organizations. Our employees and members raised over \$85,000 for local non-profit agencies and volunteered with over 2,200 volunteer hours last year.

Our passion for improving our community is extended through our efforts in financial education. In 2019, our financial education program reached over 3,500 individuals on topics like budgeting, saving for their future and understanding credit scores. We really target high school students so they go off in the world a little bit more prepared. We provide free materials and financial counseling to our membership.

I want to thank each and every one of our over 220 employees for your dedication to serving our members. In the Annual Member Survey, 90% of the members rated the employee service experience to be very good or excellent. Your dedication to service is a strategic differentiator in our local market. Great job! Thank you.

As we all know, in mid-March, our world shifted with the coronavirus pandemic. Bay Federal quickly responded to shelter-in-place mandates, and immediately enacted emergency loan programs and payment deferrals to assist our membership. We shifted back-office employees to remote work arrangements and adjusted our branch service model to ensure the physical health and safety of our employees and members. In this spirit, we delayed this traditionally in-person Annual Meeting from March to a digital-only event tonight.

Although the pandemic has required us to adjust our business model, we remain steadfast in achieving our 2020 objectives. We are actively working to expand business services, including new business loan solutions and business credit cards. We have updated our online and mobile services to offer an enhanced digital experience as an alternative to in-person branch transactions. And we introduced a new HELOC program in addition to our robust mortgage lending programs, including our popular refinance solutions right now with rates so low, so check it out if you haven't already.

This year we have also increased education and awareness related to diversity, inclusion, equity and belonging. Our organization reflects the diverse and vibrant communities we serve. The ongoing efforts in employee development, financial education, access to affordable financial services for every member, and volunteerism across a broad range of community services actively demonstrate our commitment to this cause. We also understand there is more work to be done, and we can be a positive and proactive partner to creating even greater opportunities for all. We will continue to uphold our duty in ensuring social justice, equity, and inclusion for our membership, for our employees, and for our shared community.

As we weather the pandemic, and we continue to help our members with financial challenges, your support is deeply appreciated. Thank you for the confidence and trust that you have placed in us! We look forward to serving you as a resilient, inclusive, and thriving credit union long into the future. Thank you.

I will now introduce our Supervisory Committee Co-Chairperson, Pat Pfremmer, to join us next for the Supervisory Committee Report and election results!

**PAT PFREMMER, Supervisory Committee Co-Chair:** Thank you, Carrie, and good evening, everyone! The Supervisory Committee is a group of Bay Federal members who are appointed by the Board of Directors and volunteer their time and expertise to ensure the stability of the Credit Union. I would like to recognize my fellow committee members for their commitment and expertise.

- Co-Chair Suzanne Shaug
- Richard Mills
- Michelle Berridge
- And Barbara Callahan

This Committee oversees the system of internal controls of the Credit Union through the eyes of the internal audit department. We are also responsible for retaining an outside CPA firm. In 2019, the Supervisory Committee secured the services of CliftonLarsonAllen LLP to perform a certified financial audit of the Credit Union. The CPAs stated that the financial statements presented fairly the financial position of the Credit Union as of June 30, 2019.

Bay Federal Credit Union remains diligent in improving internal controls and enhancing risk management practices. Additional audits conducted by other external experts further validated management's practices of safety and security being upheld in its procedures. Bay Federal Credit Union's continued focus on safety, security, exceptional service, affordable products, and mutually profitable member relationships ensures a healthy financial cooperative. Many thanks to the management team and employees for a job very well done.

I am now going to present the Board election results for 2020. As no petitions were received from the membership, the nominations for the Board of Directors remained unchallenged. The following members were re-elected to new terms for the Board of Directors:

- Sheila Joyce Kellerman

- Piret Harmon
- Jordan Ciliberto

Congratulations to all!

I would also like to take a moment to thank all of the employees at Bay Federal for their care and commitment to the Credit Union. Thank you all for joining us this evening. I will now turn the meeting back over to our Board Chair, Jim Phillips.

**JIM PHILLIPS:** Thank you, Pat, and congratulations to our volunteers on their re-election. I am thrilled to continue working with each one of you!

Now is the time to open the meeting for items from the questions sent in to our panelists.

**JASON STIDHAM:** Thank you, Jim. Just as a reminder, if you have questions, you can submit them using the Q&A feature. Carrie, we have one question for you or Jim. During the pandemic, how secure our investments with Bay Federal Credit Union?

**CARRIE BIRKHOFFER:** Thank you, Jason. That's a great question. First of all, if you have an investment with us, whether it's in your savings account, checking account, a certificate of deposit, you have the insurance that is covered as Federal Insurance with the National Credit Union Share Insurance Fund, very similar to FDIC. So investments of your own deposits in the Credit Union are insured. If you're using our Investment Services program, they may be uninsured but that's typical of many investments and your advisor would let you know that, or you would already have that information, just like you would if you invested with another broker. As far as the Credit Union's investments, when we take in deposits and we lend the money back out, some of the money we don't lend out because we might not have as much loan demand.

We also have to have a cushion of cash and investments that are very short term, those investments the credit union holds on its balance sheet are very secure. Where we take most of the risk in the Credit Union is with the lending of loans to our members. That's why we were here: to bring in deposits and lend it back out. And there's a little bit of risk, obviously, in doing that, and we calculate it, we put aside loan losses for it and allowances for loan losses, we make sure we're very careful there. We have very strong underwriting. So we don't take a lot of risk on the investment portfolio. And those risks on those investments are secure, and usually government secured assets or cash at the Federal Reserve Bank. So thank you for that question.

**JASON STIDHAM:** Thank you, Carrie. And we have one more question from a member. Can you let us know when the branches will be open on Saturdays again?

**CARRIE BIRKHOFFER:** Great. That's a great question too. We, at this point, have chosen not to open the branches on Saturdays because of a staffing issue where we've got employees that we have spread around to the branches or the contact center. We would have to hire more employees at this point to open Saturdays. We did just do a recent round of hiring again, and we will have new employees starting in September. So we will be assessing that periodically.

Right now, one of my concerns also is just keeping the employees as safe as we can as well as the members and having them have a break on Saturday and Sunday from being in the public also is reassuring to me. I know it's an inconvenience to our membership, but it's the same group of employees spread out over those six days. So we're really trying to balance the needs of the employees as well as the membership.

I will share with you the contact center is open Saturdays. And also our online banking is 24/7. So like I said before, if you need something specific on the weekend, you can make deposits at the ATM, you can make the deposits using your mobile phone device. We would love to show you and we could help you with that. I apologize for the inconvenience. So we will go back to more normal schedules in the future. I just don't have that date right now. Thank you.

**JASON STIDHAM:** Thank you, Carrie. One last question, unless people still want to submit questions. What safety measures is Bay Federal doing in this pandemic?

**CARRIE BIRKHOFFER:** We've taken a lot of safety measures. One of the things that I feel fortunate about is I've been on a committee of the Economic Recovery Council of Businesses in Santa Cruz County with our county health officer Dr. Newell. We have been kind of learning firsthand what the most important safety measures are. So we've taken all of them that we've learned about. We put up Plexiglas in the branches, we're using hand sanitizer, everyone's wearing masks, we're requiring only people to come in that are coming in directly to work with an employee and then getting out quickly. What I've learned from working with the county is that the way the virus is transmitted is when you're in an enclosed environment for more than 15 minutes, usually without a mask on with someone who's been infected. And so we're taking the measures to keep people dispersed and standing outside, waiting in the fresh air, six feet apart, and then coming into the branch and being really quick in doing the transaction, or



sitting apart if you're going to be there a little bit longer. We've also put in new filters and all of our HVAC systems and we have doors open often to keep the airflow going.

I've also learned that it's not as common to get the virus being transmitted out in the public when you're shopping, running into the financial institution. It's happening a lot more frequently through the trace test and contact testing that it's passed around during family gatherings. So that's just something for the public for members and employees to understand that it's happening more when there's separate households coming together and spending time together without masks on. That's usually when the virus is being transmitted. So we're doing a lot and we're going to continue to do everything that's recommended. We research it all the time.

**JASON STIDHAM:** Thank you, Carrie. We just had a question come through: Will we be closing branches like some banks have been doing in great numbers now?

**CARRIE BIRKHOFFER:** No, we're gonna keep branches open as much as we can. Occasionally we have some staffing issues and we might have a closed branch here or there. But for the most part, our goal is to keep them open right now with the Monday through Friday schedule. We understand we're here for our members; we are owned by our members. And so we're really here to serve you. So we don't have intention of having large numbers of branches close. That being said, we need to be careful as well. And if we have an outbreak in a branch, of course, we're going to close it and we will have people stay home till they're better. But at this point now, we do not plan to close just randomly. Thank you.

**JASON STIDHAM:** Those are all of the questions that we've received. If any more come in, rest assured that we will address and reach out to you tomorrow to address your concerns directly. As a reminder, this meeting is being recorded, and we will have the recording and transcript available on our website and on our social media channels shortly. So with that, we're going to turn it back over to Jim.

**JIM PHILLIPS:** Thank you, and thank you Carrie for those great answers. As we wrap up our Annual Meeting, I wish to express my sincere appreciation to each and every one of you here tonight. Thank you for taking an active role in your Credit Union and for helping to create an organization that will be here to serve our community for generations to come. So with that, do we have a motion to adjourn the meeting?

**CAMERON HASTE, EVP & Chief Operations Officer:** I move to adjourn the meeting.

**JIM PHILLIPS:** Do we have a second?

**TONEE PICARD: EVP & Chief Development Officer:** I'll second.

**JIM PHILLIPS:** All in favor?

**PANELISTS:** Aye.

**JIM PHILLIPS:** Okay. Motion carries. Thank you very much for attending. Thank you.

**CARRIE BIRKHOFFER:** Bye. Thank you, everybody!

**JASON STIDHAM:** Good night and thank you!

(Meeting Ends)