

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**87th ANNUAL REPORT**  
**DECEMBER 31, 2022**

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## **AGENDA**

Registration of Members  
Board Chair's Welcome Message  
Nominations by Nominating Committee Chairman  
Election of Board of Directors  
Dinner is Served  
Entertainment  
Treasurer's Report  
Report of Election Results  
New Business  
Corrections or Additions to Previous Meeting  
Adjournment  
Reading of Door Prizes

## Message from the Board Chair

Welcome everyone!

It is so nice to be able to gather once again for this annual celebration! And it really is a celebration as we continue to be grateful for the simple things like gathering together for a meal and time for a little reflection. However, before we go any further, I would like to acknowledge some people without whom we wouldn't even be here.

First, our members remain loyal in their *commitment to*, as well as *trust in*, our credit union. As Roy recently reminded me, our conscientious members consistently repay over 99.9% of their loans back. This allows us to keep our loan rates low. Thank you.

I would now like to recognize the dedication of our outstanding and seasoned staff who do their best to provide friendly, accurate, and efficient service to all the members at each of our branches. They are such a critical foundation for our entire credit union community. Thanks to each staff member for a continued professional commitment that so often makes us feel like family. Additionally, I want to underscore the great leadership of Sandy Patel who holds everything together so well in the north county. Thanks so much.

Next let me express my gratitude for our very active Supervisory Committee that, among many other tasks, coordinates a dozen audits of the credit union each year with the veteran leadership of Bob Ayer and Jack Meyer. Thank you for your continued service to all of us.

This brings me to our highly dedicated Board of Directors who are dedicated to putting the *member's interest* first. As the board chair, I have the opportunity to witness my colleagues' thoughtful discussion and deliberation on the many critical issues our credit union face every year. And while my primary task is to facilitate our board meetings, I must confess that all the heavy lifting necessary to provide effective support to our credit union is done by all other board members. I'm very grateful to the board for always making careful decisions with a long term view in mind. Thank you Board!

This brings us to the steady leadership of our CEO, Roy McLaughlin. Where do I begin to adequately detail the positive impact Roy continues to have on our credit union's success this year? He understands the balance between caution and action, the wisdom of responding versus reacting, and the delicate intuition gained through experience.

Even though we have experienced another challenging year, our credit union did a great job moderating our interest rate risks. By far the biggest change in 2022 was the dramatic rise in interest rates. At the beginning of 2022 the prediction was that rates would be raised from 0.25% to 1.00% during the year. This was a potential problem for us, however, fortunately we positioned our investments to be ready for it. When rates were raised way beyond the predicted 1% to *above 4%*, thanks to Roy's steady

leadership, our *conservative strategy* protected our investments from the unrealized losses that are currently troubling so many banks and credit unions.

Here are a few important highlights Roy recently shared with me. First, since our investment yields have quickly risen, we have been able to raise the dividends paid to our account holders four times already, to rates above our peer credit unions. Additionally, we have not raised our loan rates as much as other institutions, which has made our loans more competitive. Consequently, our members have been able to take advantage of our great rates, especially on car loans and second mortgages. Finally, we negotiated a favorable extension on our main data processing contract that includes a new, more secure home and mobile banking program that we recently rolled out in March. Looking to the future, we will be able to implement both online loan applications and member account applications.

In conclusion, once again it feels great to report the health and prosperity of our credit union that is built on a strong sense of history, a well-grounded present, and a forward thinking perspective that is always anticipating what might be on the next horizon. I am so grateful that we can all be here today united as members of such an extraordinary credit union family. I am sure you all share my gratitude as well. Thank you.

Sincerely,

Steve Shelton

Board of Directors Chair

Santa Barbara Teachers Federal Credit Union

**Minutes of the 86th Annual Meeting  
of the  
Santa Barbara Teachers Federal Credit Union  
In Person at the First Presbyterian Church in Santa Barbara  
Saturday, May 7, 2022, 5:30 pm**

**1.Registration of Members**

Credit Union employees verified and registered 66 members and employees at the meeting.

**2.Board Chair's Welcome Message**

**Board Chair Steve Shelton called the meeting to order at 5:35 pm**

Board Chair's Message

Welcome back and thank you for *attending* tonight's 86th Annual Meeting of the Santa Barbara Teachers Federal Credit Union; isn't it great to be back? Last year when I delivered my Board Chair's message virtually from the credit union, I am reminded of my closing words when I said,

"Now I look forward to next year when we will be able to gather in person, share hugs, stories, and finally raise an *actual* glass together and toast the many accomplishments we will surely have achieved between now and then."

So here we are, I'd like to open my remarks with that promised toast to the credit union, all of its members, its incredible employees, my fellow Board of Directors, Supervisory Committee, and of course, to the incomparable leadership of our CEO, Roy McLaughlin! Cheers!

I want to reiterate what I said last year, that our annual gathering symbolizes the very characteristics that distinguish us from so many other institutions, and reinforce our sense of *community* and *family*, so that, in the end, we don't feel like an institution at all. It has, indeed, been a very good year for our credit union *family* in the midst of some unbelievable health and economic challenges, challenges that continue today. While our country has officially moved from the pandemic to endemic stage, the economic struggles in our nation continue. Yet, through it all, the Santa Barbara Teachers Federal Credit Union remains strong as it maintains a dynamic response to the ever changing landscape it encounters. I believe the key to our resiliency is the fact that we choose to *respond* as opposed to *react* when faced with ongoing financial obstacles we turn into opportunities.

Roy and I are grateful to the Board of Directors and Supervisory Committee who are dedicated to providing the best service to our membership, safeguarding the assets of the institution and safeguarding the membership's information. Our credit union is ready and able to function in the new higher interest rate environment, as we grew 10% to \$288 million in assets in 2021 through our safe investments backed by the U.S. Government. Remarkably, we maintained low loan delinquencies of less than 1/10th of a percent, even during Covid. And through it all, we are grateful for a loyal membership which never wavers.

Yes, we have much for which to be grateful during these challenging times. Much to celebrate and much for which to look forward. Lastly, I want to close where I began, with my gratitude for this opportunity to gather in person and celebrate once again the achievements of this credit union, but also to celebrate the community and family we

continue to be year in and year out. Thank you all for making this family celebration possible again!

Sincerely,

Steve Shelton  
Chair - Board of Directors  
Santa Barbara Teachers Federal Credit Union

### **3. Nominations and Elections of the Board of Directors**

Jack Meyer, Patty Manfredi and Peter Cotte comprised the nomination committee. Jack Meyer announced the nominees and asked for any “nominations from the floor.” Hearing none, he asked for a motion to “accept a white ballot as listed.” The motion was properly made and seconded, and the motion passed. Kristin Wright, Pat Brickey and Peter Cotte were re-elected and Mallory Meyer and Noe Gomez were elected to the Board of Directors for three-year terms.

### **4. Board Treasurer Roy McLaughlin’s report**

Thank you all for coming! It’s really great to be able to meet in person again. There was a point when we weren’t sure how many years it was going to take to get back to normal so I guess we’re relieved it was only 2!

I wanted to try to give a brief summary of where we are financially and so much of it has to do with everything that has happened over the past 2 years. As everyone knows, in the beginning of March 2020 Covid was somewhat of a concern, and within weeks it was a full-blown epidemic that put most of the country in lockdown. The Federal Reserve had to do as much as they could to try to stimulate the economy and avoid a deep depression. They dropped short term interest rates to zero, and began buying long term investments in order to lower mortgage and other borrowing rates.

Fortunately, we were able to withstand the major challenges of this environment:

- The first challenge was how do we maintain services for our membership while keeping them and our employees safe? Our dedicated staff rose to the challenge and put mandated precautions in place, developed backup plans, and we remained open throughout even the toughest part of the lockdown.
- The second challenge was working with our members who were struggling financially to defer loan payments until their situation improved. Fortunately, our loyal membership did their best to resume their loan payments, and the credit union’s loan losses remained very low.
- The last major challenge was how to position the credit union for an eventual rise in interest rates? Our board chose to invest very conservatively. This did cause our investment yield to be very low during the pandemic, and we had to dip in to the credit union’s reserves for this protection. It unquestionably was the right plan because high inflation that has not been seen for decades has appeared in 2022 and our conservative investments are a huge benefit to the institution. Just as an example, the Federal Reserve’s 0.50% increase this week boost’s the credit union’s interest income by \$950,000 per year.

Next, if you would like to follow along, I’ll give a brief summary of the financial report starting on page 7

Next, I have some welcomes since our last in-person meeting, and well-deserved thankyou.

- From our Lompoc office we have Emily Jones and Megan Hernandez that have joined our staff. And in the Santa Barbara office we have Ronnie Carrisales and Alyssia Reginato. And from our Santa Maria office Bonnie Carnes.
- I'd like to welcome to our Board of Directors - Noe Gomez from Carpinteria High and Mallory Meyer from El Camino Elementary in Goleta.
- And sadly, we need to recognize the incredible accomplishments of my predecessor and mentor Frank Aiello. Frank as most of you know succumbed to Covid on August 3, 2020

I need to thank

- Our Board for diligently directing the credit union in the best interest of our membership and providing support to our staff.
- Our Supervisory Committee for investing much of their time in the proper oversight of the institution
- Our dedicated staff that works tirelessly to provide the best service to the membership while and keeping up with stiff competition, increasing consumer expectations, and dizzying regulations
- Last but not least our loyal membership Thank you all!

In closing and summary, I'm very proud to be a part of this team and I look forward to a very successful future! Now I'll turn it over to Steve for more official meeting items.

#### **5. Board Chair's Final Comments**

The Chair asked if there were any new business items or corrections to the Minutes from last year's Annual Meeting and there were none. He then asked for a motion to accept the Minutes. The motion was properly made, seconded, and the motion passed. The Chair thanked everyone for attending and the meeting was adjourned at 6:40 pm.

**Respectfully Submitted,**

**Chris Rhodes, Board Secretary**

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2022**

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Assets:

Cash	\$	1,768,320
Federal Reserve Overnight Investments		119,413,569
Investment in Government Agency Securities		99,882,148
Loans to members		62,969,222
Less: Allowance for Loan Loss		(131,244)
Accrued Interest Receivable		315,431
NCUA Share Insurance Fund Deposit		2,702,729
Central Liquidity Fund Investment		662,141
Other Assets		<u>1,174,331</u>
 Total Assets	\$	<u><u>288,756,647</u></u>

Liabilities and Capital:

Other Accrued Expenses	\$	1,769,115
Share Savings Accounts		216,925,098
Share Draft Checking Accounts		35,303,452
IRA Certificates		8,185,420
Undivided Earnings		29,953,343
Net Unrealized Gain (Loss) on Securities Available-for-Sale		<u>(3,379,781)</u>
 Total Liabilities and Capital	\$	<u><u>288,756,647</u></u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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Interest Income:

Income from loans	\$	2,084,355
Income from investments		<u>4,059,119</u>
Total interest income		6,143,474

Interest Expense:

Dividends		<u>(681,969)</u>
Net interest income		5,461,505

Provision for loan loss		<u>11,058</u>
Net interest income after provision for loan loss		5,472,563

Non-interest income:

Fee income		<u>227,533</u>
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Non-interest expense:

Salaries & benefits	2,045,633
Travel & conference	38,901
Office occupancy	200,554
Office operations	364,677
Education & promotion	54,273
Loan servicing	249,121
Professional & outside services	575,130
Federal operation fee	45,996
Miscellaneous operating expense	<u>30,574</u>

Total non-interest expense	<u>3,604,859</u>
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Net Income	<u>\$ 2,095,237</u>
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**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**COMPARISON TO PRIOR YEAR**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>		<u>2021</u>		<u>Increase (Decrease)</u>
Total Assets	\$ 288,756,647	\$	288,370,196	\$	386,451
Total Loans	62,969,222		61,256,293		1,712,929
Share Savings	216,925,098		214,579,934		2,345,164
Share Drafts	35,303,452		34,852,442		451,010
IRA Certificates	8,185,420		9,135,535		(950,115)
Total Interest Income	6,143,474		2,939,982		3,203,492
Dividends	681,969		230,998		450,971
Provision for Loan Loss	(11,058)		16,782		(27,840)
Non-Interest Income	227,533		212,213		15,320
Non-Interest Expenses	3,604,859		3,419,062		185,797
Net Income	2,095,237		(514,647)		2,609,884

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**SHARE DOLLAR ANALYSIS**  
**DECEMBER 31, 2022**

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<u>Balance Range</u>	<u>Count</u>	<u>Percent</u>	<u>Balance</u>	<u>Percent</u>
up to \$2,500	8,424	59%	\$ 2,840,282	1%
\$2,501 to \$15,000	2,831	20%	14,945,921	6%
\$15,001 to \$40,000	1,209	9%	24,729,302	9%
\$40,001 to \$70,000	552	4%	25,324,189	10%
\$70,001 to \$100,000	326	2%	22,382,624	9%
\$100,001 and over	<u>862</u>	<u>6%</u>	<u>170,191,652</u>	<u>65%</u>
Total	<u>14,204</u>	<u>100%</u>	<u>\$ 260,413,970</u>	<u>100%</u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION  
LOAN PORTFOLIO  
DECEMBER 31, 2022**

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<u>Collateral</u>	<u>Count</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Signature	74	4%	\$ 322,666	1%
Visa Card	982	54%	1,907,769	3%
New Vehicle	101	5%	2,171,408	3%
Used Vehicle	303	17%	3,811,253	6%
Real Estate	304	17%	53,982,553	86%
Share Secured	<u>49</u>	<u>3%</u>	<u>773,573</u>	<u>1%</u>
Total	<u>1,813</u>	<u>100%</u>	<u>\$ 62,969,222</u>	<u>100%</u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**REPORT OF THE CREDIT COMMITTEE**  
**DECEMBER 31, 2022**

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The following is a summary of the tasks performed by the Credit Committee during the year 2022:

Loans Approved	116
Pre-approved Auto Loans	114
Visa Cards Approved	21
Loans and Visas Denied	43
Number of Extensions Granted	3
Loans and Visas Charged Off	4

As of December 31, 2022, the following were noted:

Delinquent Loans	\$	14,888
Delinquent Loans to Total Loans		0.02%
Average Share Balance	\$	26,991
Average Loan Balance	\$	34,732
Net Capital to Assets (Retained Earnings)		10.37%

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**REPORT OF THE SUPERVISORY COMMITTEE**  
**DECEMBER 31, 2022**

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The Santa Barbara Teachers Federal Credit Union (SBTFCU) is founded upon the good faith, cooperation, and financial trust of our members. This foundation of our institution is based upon the investment of a community of educators and family, and the trust of our members is valued and protected.

Our mandate as a Federal Credit Union requires oversight. As part of this oversight, the SBTFCU maintains an independent Supervisory Committee that schedules not only local audits of operations at all three local branches, but audits from independent contractors for fundamentals of practice, technological security, and compliance with rules dictated by the NCUA, the National Credit Union Association.

Your Supervisory Committee has worked diligently with management and staff this year to provide comprehensive oversight to credit union operations.

Since our last annual meeting, recent bank failures have been a concern for the banking industry. We are happy to share that your credit union continues to maintain practices that promote strong fundamentals and safe growth to our credit union. Prudent investment and a balance of growth to depositor reward, all contribute to member deposit safety. The Supervisory Committee is satisfied that our Credit Union is moving positively in this dynamic, financial environment.

We are confident that our oversight has continued to be authentic, pragmatic, and responsible to member needs.

Specifically, we have:

- Monitored regular audits of cash counts and balance sheets at all branches throughout the year
- Verified general ledger balances and payroll activity monthly
- Reviewed activity in accounts associated with employees and Board members
- Engaged outside resources to verify accounts, to investigate network security, to evaluate investment practices, risk and strategies, to fulfill bank security requirements as required by legislation, and to ensure that our credit union continues to provide service and security to the investments of all of our members
- Communicated regularly with Credit Union management, employees, and contracted advisors who review Credit Union activity

The Supervisory Committee is available for member concerns and oversight.

Sincerely,

Santa Barbara Teachers Federal Credit Union's

Supervisory Committee

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**OFFICERS, DIRECTORS & VOLUNTEERS**  
**2022**

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**Officers:**

Chair, Steve Shelton	Santa Barbara Junior High School
Vice Chair, Pat Brickey	Lakeview Junior High School
Secretary, Chris Rhodes	Santa Barbara County Education Office
Treasurer, Roy McLaughlin	Santa Barbara Teachers FCU

**Directors:**

Rosa Cavaletto	Washington Elementary School
Peter Cotte	Carpinteria High School
Isabel Esparza	Washington Elementary School
Peter Georgakis	Santa Barbara City College
Noe Gomez	Carpinteria High School
Kimberly Lynch-Campbell	Harding Elementary School
Patricia Manfredi	Lakeview Junior High School
Mallory Meyer	Goleta Union School District
Peter Rojas	Santa Barbara City College
Layne Wheeler	Adams Elementary School
Kristin Wright	Brandon Elementary School

**Supervisory Committee:**

Chair, Bob Ayer	Retired, La Colina Junior High School
Rosa Buse	Retired, Santa Barbara Sch. Dist. Payroll
John Emery	Retired, Delta High School
Jack Meyer	Retired, Carpinteria Middle School
DJ Perry	Retired, El Camino Elementary School

**Loan Review Committee:**

Daniela Cisneros	Santa Barbara Teachers FCU
Paul Spadoro	Santa Barbara Teachers FCU

**ENTERTAINMENT**

Goleta Valley Junior High School

Carolyn Ross, Director