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SOUTH CAROLINA
STATE BOARD OF FINANCIAL INSTITUTIONS

Budget and Operations Committee

MINUTES

Thursday, August 26, 2021

9:00 A.M.

via Webex Virtual Conference

The Budget and Operations Committee of the State Board of Financial Institutions met on August 26, 2021

Members present (via virtual conference): Messrs. Pennington (Chairman), Byrd, Wicker, and Wright.

Mr. Larkin announced that all members were present.

Staff present: Commissioner Ron Bodvake, Commissioner Rick Green, Deputy Commissioner Kathy Bickham, Deputy Commissioner Amy Gelhaus, Deputy General Counsel Shawn Eubanks, Deputy General Counsel Bill Condon, Deputy State Treasurer Cynthia Dannels, Senior HR Manager Lisa O'Sullivan, Financial Analyst Cameron Larkin, and Board Administrator Alicia Sharpe.

The August 26, 2021 Agenda was approved by General Consent.

The July 22, 2021 Committee Meeting Minutes were approved by General Consent.

There were no member **recusals or conflicts of interest** disclosed or identified.

Commissioner Bodvake provided an overview of the Consumer Finance division items. The first item presented was an IT update. The project to develop an examination database is ongoing and in the beta testing phase. The Commissioner hopes to have this up and running by the end of the year.

The Commissioner discussed the Consumer Finance Division Expenditure Analysis and referenced the Other Operating Expense Report (Consumer Finance) included within the Committee Members' packets.

Commissioner Bodvake discussed the Consumer Finance Division's FY22 budget. Some items were adjusted due to Covid in 2020.

Commissioner Bodvake then discussed the FY2023 Appropriation Request. This has to go to the General Assembly within the next few months. The Request includes a \$1000,000 increase in employer contributions. The budgeted amount for employer contributions is based on a percentage of overall payroll. In the FY 2023 Appropriation Request, the Consumer Finance Division is also requesting to increase Personal Services by \$120,000 which will cover the 2.5% state employee increase from this year, fully fund the IT manager position, and fully fund an HR manager position. Finally, the Consumer Finance Division is requesting an additional \$70,000 for Other Operating Expenses (specifically for Contractual Services) to fund increased DTO fees and payment for services performed by the State Treasurer's Office.

Mr. Wright asked where the \$50,000 was shown on the 2023 budget request provided to the Committee. Commissioner Bodvake explained that The \$50,000 is a portion of the \$70,000 the Division asks for in the 2023 budget. He also explained that the Expenditure Report shows the \$80,000 line item for the State Treasurer's Office Cost.

Commissioner Bodvake provided an overview of the Accountability Report for the entire agency. The first couple of pages give an overview of the BOFI agency, an organizational chart, and two narrative sections. There is one narrative section for Banking and one for Consumer Finance. Some highlights on the Consumer Finance narrative were that the Division transitioned all the Supervised, Deferred Presentment, and Check Cashing license types to NMLS, implemented a long-term information technology plan, processed a record number of mortgage loan originator licenses. In 2020, the amount of mortgage loans originated in South Carolina was approximately \$32,000,000, the total number of loans originated was 139,906, and the number of mortgage loans serviced was \$2,077,738.

Commissioner Bodvake discussed examinations over the past year as well. Examinations were conducted in-person and virtually. In-state examinations are conducted in-person while out-of-state examinations are conducted virtually. 1,875 examinations were completed last year. As a result of these examinations, \$489,435 was refunded to consumers. The Consumer Finance Division also investigated 146 complaints resulting in refunds of \$6,932.

Commissioner Bodvake mentioned the Certified Public Manager program. The Division now has seven employees that have completed the Certified Public Manager program. The Commissioner wants to get all management staff through the CPM program.

Mr. Byrd asked for further explanation on the refunds from examinations as shown on the Accountability Report. Commissioner Bodvake provided a high level overview of the Accountability Report. The Commissioner then explained where the refunds for examinations come from during the examining process.

Commissioner Bodvake provided an update on personnel. Nancy Lewis has been promoted to a licensing position.

Commissioner Green provided an overview of the Banking Division's FY2022 Budget and Expenditure Analysis. The Commissioner provided some additional background on the process for submitting the budget and seeking approval. When the Division presents the appropriation, it is a year in advance of when the fiscal year starts. Commissioner Green explained the different sections of the document titled "Banking Division," which includes a column for the Banking Division's FY 2022 Appropriation and another column for the Banking Division's FY 2022 Adjust Appropriation. He also explained that the "adjusted" column reflects changes made after new information is received throughout the year. There was a significant decrease in the budget for travel due to the pandemic. Travel is expected to begin again this fiscal year; however, when the original appropriation request was formulated the expectation was for a full year of travel. Commissioner Green is projecting a positive variance in classified positions, personal services of \$150,000. This continues to be part of the Banking Division trying to rebuild staffing. Commissioner Green discussed the significant increase in the FY 2022 budget for Contractual Services. The State Treasurer Office's fee for FY2022 is \$80,000 and legal fees are \$44,000.

Mr. Wright asked for an explanation of the increase in legal fees. Commissioner Green explained that the previous year was much less but that the increase in the projected legal expenses is due to the ongoing litigation.

Mr. Byrd asked Commissioner Green to elaborate on the imaging project reflected in the FY2022 Budget document. The Commissioner said they have not finalized how they will be completing this project yet. They are investigating best methods. Commissioner Green explained there are numerous historical hard copies of materials that the Division retains. He also explained that, while the agency's physical documents are safe from a security standpoint, they would be irreplaceable if a fire were to occur, or they were otherwise destroyed.

Commissioner Green provided an update on the FY2023 Budget Proposal. The Banking Division is requesting an increase in Personal Services of \$130,000 which represents a return to full staffing. This number includes increases sometimes approved by the General Assembly as well as small merit increases for those that are eligible. This also includes an HR Professional position split with the Consumer Finance Division. The Commissioner provided an explanation of the Employer Contribution percentage provided by The Department of Administration. This includes the benefits for employees. Commissioner Green provided a breakdown of Other Operating Expenses projections. The FY 2023 Budget Proposal for the Banking Division includes expected increase in the State Treasurer Office's fees and an increase in Travel Expenses over what is currently expected in FY2022. The increase in Travel Expenses is due to the expected implementation of a hybrid examination program for the entire year.

Mr. Byrd asked for Commissioner Green to explain what all goes into the State Treasurer Office's fee. Commissioner Green provided a high-level breakdown of all the services provided

by the State Treasurer's Office. Cynthia Dannels provided a more detailed explanation of the services provided.

Mr. Wright asked Mr. Pennington for the minutes to show the FY 2022 adjusted budget includes an increase in the fee that each Division pays to the to the State Treasurer's Office and a significant increase in legal fees for the Banking Division. Although the proposed budget for the Banking Division's legal fees in FY 2023 will be lower than the budget for FY 2022, the increase in the STO fee will continue for both Division's in to FY 2023. The total amount of the STO fee from each division will be \$105,000. Mr. Wright explained that the help received by the State Treasurer's Office is tremendous but believes the Board should know that the budget in this area is increasing. Cynthia Dannels further explained the benefits to BOFI's budget and operations.

Commissioner Green briefly discussed the Accountability Report. The Commissioner explained the sections of the spreadsheet to the Committee. He noted that all the targeted goals for FY2021 were achieved and that the goals are similar for FY2022.

Commissioner Green reported on some personnel changes. Frank Mayhew began as a new Examiner III effective August 2nd and Timaya Forman began as an Assistant Examiner effective August 2nd. Commissioner Green reported that another Examiner had submitted a letter of resignation and one Examiner is on military leave who is expected to rejoin the staff in February.

Mr. Pennington asked for a reason for the resignations. Commissioner Green asked that this be discussed in Executive Session.

Mr. Byrd asked for an explanation on why funding must be approved through the General Assembly when they are covered through fees charged instead of General Funds. Commissioner Green explained why this is still required. Commissioner Green explained that by the time the request makes it to the General Assembly, it has been vetted by various entities.

Executive Session

The Board voted unanimously to adjourn into Executive Session.

Deputy General Counsel Bill Condon stated the reasons the Board entered Executive Session: To discuss personnel matters related to salary for two new Bank Examiners and both Agency heads, to discuss reasons for recent resignation and to receive legal advice as needed.

The Board voted unanimously to end Executive Session.

There were no votes taken in the Executive Session except to exit Executive Session.

On motion of Mr. Byrd and duly seconded by Mr. Wright, the Committee voted to recommend to the Full Board the approval and submission of the FY 2023 budget and accountability report.

The next Committee meeting is scheduled for Thursday, October 21, 2021.

There being no further business, the meeting was adjourned by acclamation at **10:35 AM**.