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SOUTH CAROLINA  
**STATE BOARD OF FINANCIAL INSTITUTIONS**

Budget and Operations Committee

**MINUTES**

**Tuesday, February 22, 2022**

**2:30 P.M.**

**via Webex Virtual Conference**

The Budget and Operations Committee of the State Board of Financial Institutions met on February 22, 2022

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

Mr. Pennington stated that there were three members present and that we have a quorum.

Staff present: Commissioner of Consumer Finance Ron Bodvake, Deputy Commissioner of Consumer Finance Phyllis Wicker, Deputy Commissioner of Banking Kathy Bickham, STO Deputy General Counsel Bill Condon, STO Deputy General Counsel Shawn Eubanks, STO Administrative Director Brad Livingston, STO Chief of Staff Clarissa Adams, STO Deputy State Treasurer Cynthia Dannels, and STO Financial Analyst Cameron Larkin.

**The February 22, 2022 Agenda was approved by General Consent.**

**The January 20, 2022 Committee Meeting Minutes were approved by General Consent.**

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

**Ms. Clarissa Adams** provided a background of the shared services between the State Treasurer's Office (STO) and the Board of Financial Institutions (BOFI) as outlined in a Memorandum of Agreement. Ms. Adams informed the Committee that the STO and BOFI Commissioners met to go over the future of shared services in detail.

**Mr. Brad Livingston** presented a PowerPoint on the shared services, providing an overview to the Committee. Mr. Livingston covered all the services currently covered under the Memorandum of Agreement. The current services equate to a little less than two full-time employees. The goal of the additional proposed shared services is to fill the gaps left due to recent BOFI staff turnover and for the STO to provide administrative support to enable BOFI staff to focus on more mission-driven work. As an alternative to STO performing the shared services for BOFI, Mr. Livingston shared a Proviso with the Committee that outlines the State

Department of Administration's (DOA) ability to take over the administrative functions of agencies with less than \$20,000,000 budget.

Ms. Adams commented that the Proviso has been in effect since 2018. She informed the Committee that because the Treasurer is a constitutional officer and shared services are currently being provided by the STO, the general understanding is that the Proviso does not apply to BOFI. However, if STO were not performing the shared services, the Proviso would apply. Ms. Adams reached out to the head of the DOA and confirmed that the current arrangement between STO and BOFI effectively exempts both agencies from the Proviso.

Mr. Wright asked if there might be a cost savings by not sharing services with the STO.

Ms. Adams answered that the DOA would charge BOFI as well. Ms. Adams also mentioned that if the shared services were to go away, BOFI would need to hire four positions which would be a greater cost than the less than two full time employees' worth of services currently provided by the STO.

Mr. Livingston continued his presentation, providing information regarding staff turnover at BOFI which prompted STO staff taking on additional administrative functions. Mr. Livingston emphasized that the additional proposed administrative functions are transactional and that approvals would remain with the BOFI Commissioners.

Mr. Wright asked how long BOFI staff have been serving functions in areas of finance and human resources themselves. Ms. Bickham confirmed this has been the case since she began her career at BOFI in 1991. Ms. Adams explained that since Treasurer Loftis came into office, STO involvement with BOFI Human Resources, Legal, Communications, and Information Technology has increased.

Mr. Livingston continued his presentation by outlining the expanded scope of Shared Services to cover more administrative and transactional functions.

Ms. Adams explained that a benefit of the shared services is that STO has backup staff that are trained in all of the shared service functions. Ms. Adams emphasized that the decision to use either STO or DOA for shared services is ultimately up to the Board.

Mr. Pennington pointed out that DOA would potentially have similar issues with turnover. Ms. Dannels reiterated that STO would have backups in place if turnover became an issue at STO.

Mr. Wright raised the concern that the shared services arrangement would be affected if Treasurer Loftis were to decide not to run for office again or run for a higher office. Ms. Adams explained that the arrangement would still be up to the Board to continue or terminate.

Mr. Byrd asked about additional costs associated with the additional services being offered by STO. Ms. Adams explained that there is no additional cost. Mr. Byrd followed up by asking how the additional shared services might affect who BOFI staff report to and if that may be an issue. Ms. Bickham explained that STO has already been providing these functions in some capacity.

Mr. Wright asked how this arrangement would work on the Human Resources side of things and Ms. Bickham explained what the process would look like.

Mr. Wright asked if BOFI would lose full-time employees if STO takes over the additional proposed administrative duties. Ms. Adams explained that BOFI could use the existing open FTE position that were used to perform certain administrative duties to hire additional Examiners and Auditors to carry out the mission-driven work.

Mr. Livingston continued the presentation, sharing a spreadsheet that STO staff worked on with the BOFI commissioners to compare the STO and DOA options for shared services.

Mr. Pennington outlined three options for the Board: BOFI does all of the administrative work, STO provides administrative services to BOFI, or DOA provides administrative services to BOFI. Mr. Pennington asked to hear the Commissioner and Deputy Commissioner's perspective given those options. Ms. Bickham responded that it would work well for the Banking Division to work with STO.

Mr. Wright asked about additional cost for the STO shared service option. Ms. Adams confirmed that there would be no additional cost. Mr. Wright asked how much BOFI paid STO this year and Mr. Livingston confirmed it was \$160,000. Ms. Adams mentioned that the Board approved an increase to \$210,000 for next fiscal year. Mr. Wright asked for clarification that the cost would not increase with the additional services proposed in the presentation. Ms. Adams confirmed that the cost would not increase because the volume that STO would be taking on in addition to what is already being provided is not significant.

Mr. Byrd asked Mr. Condon if a multi-year agreement would be something beneficial to consider if the Board approves the shared services with STO. Mr. Condon stated that a multi-year agreement could be beneficial if Treasurer Loftis were to not run for re-election. Ms. Adams stated that agreements between state agencies are typically executed on a per year basis but that STO and BOFI could look at a multi-year contract as an option.

Mr. Pennington asked the Commissioner and Deputy Commissioner what compelling reason there was not to use STO for the shared services. Mr. Bodvake stated that he did not have any compelling reasons. Ms. Bickham stated that she had no compelling reasons as the Banking Division has not had any problems working with STO.

Mr. Wright stated that he is not ready yet to vote one way or the other on shared services. Mr. Byrd mentioned that he had concern over the circumstances concerning the recent resignation of the previous Commissioner of Banking, Rick Green. Mr. Eubanks commented that discussion over a specific employee must take place in Executive Session.

#### **Executive Session**

***The Committee voted unanimously to adjourn into Executive Session.***

Deputy General Counsel Bill Condon stated the reasons the Board entered Executive Session: To discuss the departure of Commissioner Green.

***The Board voted unanimously to end Executive Session.***

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

The next Committee meeting is scheduled for Thursday, April 14, 2022.

There being no further business, the meeting was adjourned by acclamation at **4:02 PM**.