

Understanding How the KICA Budget Process Works

Every November, the Kiawah Island Community Association releases its budget for the following year. The budget is the result of months of work, with each department adding both routine items and anticipated needs. This includes any significant capital requirement which impacts the association reserves. The tentative budget is reviewed by KICA’s member-comprised Finance Committee, and put before the board of directors for approval at the November meeting.

What we do: KICA has five basic operational focus points, and provides the administrative support for these functions:

- **Security and Livability**
Security controls Main gate and V-gate access, conducts island patrols and oversees commercial access. Livability manages covenant enforcement and contractor oversight.
- **Land and Lakes Maintenance**
Land Management handles all landscaping and maintenance on KICA common property. The Lakes team handles water quality management, wildlife management, as well as mosquito abatement.
- **Recreation and Amenities**
Recreation operations include member events, as well as the operation of The Sandcastle, Rhett’s Bluff, Cinder Creek and Eagle Point.

- **General Maintenance**
This department does minor repairs to common property, such as roads, leisure trails, and boardwalks. General Maintenance includes a mechanic’s shop, which services vehicles and tools.
- **Major Repairs and Replacement (MR&R)**
MR&R staff includes civil engineers who plan and manage the repair or replacement of roads, bridges, drainage systems and other island infrastructure.

Generally, these responsibilities begin at the bridge over the Kiawah River (with exceptions). Therefore, Cassique is not part of KICA but Mingo Point and everything beyond is.

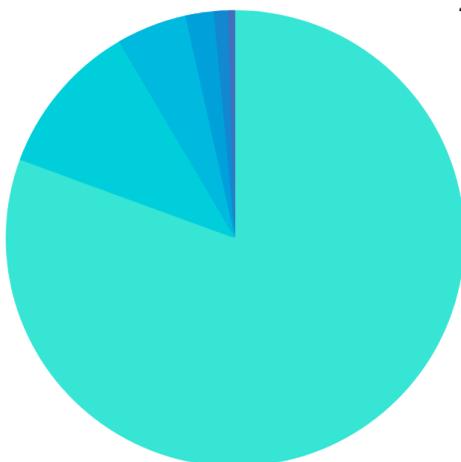
How KICA Budgets:

KICA operates with two separate budgets:

- Our **“Operating Budget”** covers administration, security and livability, land and lakes maintenance, recreation and amenity operations, and general maintenance.
- Our **“Reserve Budget”** covers major repairs and replacements.

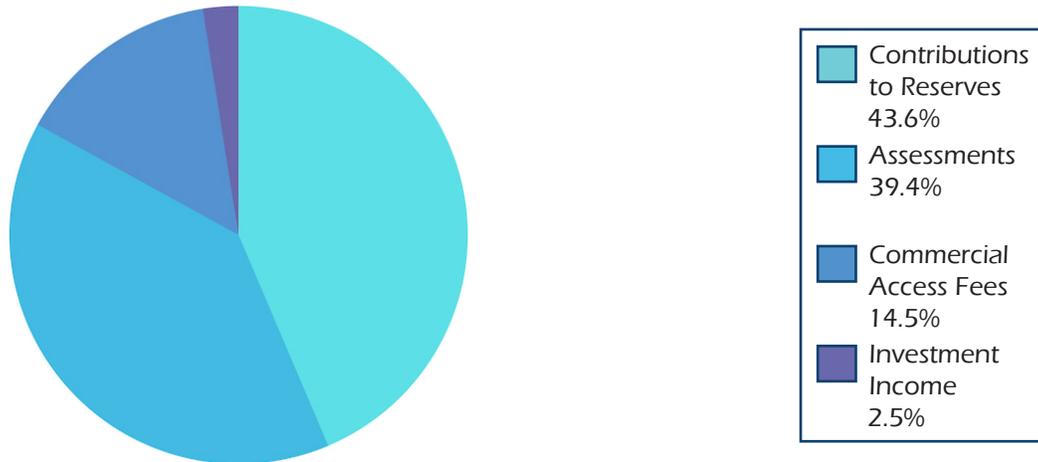
Principally, the operating budget covers expenditures that are routine and predictable. Our reserve budget covers expenditures for more durable infrastructure focusing on major repairs or replacement projects.

2018 Operating Budget
Funding Sources



Assessments 80.9%	Comcast Revenue 2%
Commercial Access Fees 10.7%	Recreation Fees 1.5%
Other Income 4.6%	Investment Income 0.3%

2018 Reserve Budget Funding Sources



How These Two Budgets Are Funded:

The operating budget is funded from the annual assessment charged to homeowners, Kiawah Island Golf Resort and the developer. This fee provides a highly predictable level of income to cover predictable expenses and links current year operating expenses with current year fees.

Our reserve budget is funded through the Major Repairs and Replacements Reserve Fund. The reserve fund is built in three ways.

- The primary source of funding is a half percent transfer fee, called the Contribution to Reserves fee or CTR, on all real estate sales. This represents 40 – 45% of the sources per year.
- This is supplemented by a reserve assessment, which represents another 40% of the annual source of funds.
- In 2017, we added an allocation of commercial access fees for large or heavy vehicles that add significantly to the need for major repairs on roads and bridges. The allocation of access fees represents 15% of the sources of annual reserve funding.

The items covered in this reserve budget last for many years and it is common practice among homeowners associations to charge current owners a fee today that will be set aside to pay for repairs in the future. This reserve process ensures we have sufficient funds when needed for repairs of existing infrastructure and better allocates the costs of the repairs to those who benefit from the assets.

KICA employs the services of an outside Reserve Specialist, who works with us to project major expenses over a 40 year timeline. The model also includes revenue assumptions.

Budgeting Throughout the Year

While the budget process only takes place once a year, KICA's director of finance provides monthly updates to ensure proper oversight on execution and spending trends. These financial reports are available for all property owners to view at kica.us/about/finances.

If you have questions about KICA's budgeting or operations funding, email justask@kica.us.