

FINANCE COMMITTEE

Meeting Minutes

October 6, 2021 at 10:00 a.m.

Bobcat Hall & Virtual

Members Present:

Alex Fernandez, Lisa Mascolo, James DiLella, Jerry Honea, Paul Hennessy, Paul Hough, Bran Petronovic

Members Absent: Jeff Porter

Others Present:

Board Members: Dave Morley

Staff Present:

Shannon White - COO, Tony Elder - Director of Operations, Sarah Bond - Director HR, Jane Ovenden – Interim Director of Finance, Ellen Festa

Meeting Minutes

Alex F. called the meeting to order. Motion to approve September 22, 2021 minutes. One minor change to be made on Roads Project – indicate that recommendations were per the Executive Summary from the reserve specialist. Motion to approve minutes with change passed unanimously.

Review of Budget – 1st Draft

Alex stated in reference to restating of monthly Financial statements, Auditors reviewed changes. We should receive letter next week with clearance that there are no issues other than the corrections made by Jane. Jane working on narrative of changes made. Will be reviewed by Auditors, Finance Committee and then to members.

Shannon presented summary of items to be included in 2022 budget – split between Operations and Reserves. She thanked Jane Ovenden and Pam Brady for all of their efforts in getting us where we are today.



- Payroll expenses – driving force:
 - Represents 59% of 2022 budget
- Main Drivers:
 - Difficult job market - open positions remain
 - Experiencing challenges attracting candidates - not unique to KICA
 - Mid-year entry level salary adjustment - \$164K impact on 2022 budget
 - Merit increase – 3%
 - Employee Benefits – 15% estimated increase – anything we can do here to make us more competitive?
- New Personnel requests:
 - Accounting Assistant
 - Communications Assistant
 - Irrigation Assistant
 - Bartender – Seasonal

Alex: Is this sufficient for 2022? Should we increase now, given labor market concerns, instead of waiting until next year.

- Eliminate need to come back to Board for additional funding during the year.
 - Be as aggressive as we need to be to hire and retain employees.
 - Need to look at everything related to this – Merit Increase, higher starting salaries.
- Discussion about open positions and turnover – many factors are impacting this:
 - It is an applicant’s market
 - Distance of Kiawah
 - Discussion about incentives for those that live far away ex: transportation costs.
- Focus on total benefits not just compensation.
- High level of competition for employees - can we coordinate with the other K’s on things they are doing that we all can benefit from?
 - HR meets with them regularly to discuss issues and share ideas.
- Keep in mind where we’re losing employees – for ex: Is life insurance or 401K a real incentive to a lower level employee? Really think about what will motivate a lower level employee.
- HR Committee will address overall retention strategy in their Oct meeting
- Shannon will review and come back with projections and recommendations for higher wage impact for next year.

Question about why IT would report to Director of Finance.

- We have 2 IT specialists. Director of Finance doesn’t need to be an IT specialist. Since we’re small, we can’t structure as a traditional company. It makes more sense to have them report to someone other than COO.



Other Operational Initiatives:

- PGA Plantings
- Salesforce/Reservations system
 - New system to the community portal for making reservations (Sandcastle, Fitness Center etc.)
 - Link to Salesforce
 - Initial investment of \$87,800
 - \$6500 ongoing maintenance for this module. Comment made that this seems high

Capital Expenses:

- Replacement of john boat used on ponds
- Weather/lightning alert system at Sandcastle pools
- John Deere blower
 - Add placeholder for more 'green' equipment
- Traffic management devices – speed monitoring

Reserve Budget

- MR&R \$3.75M for 2022
- \$1M for drainage
- \$75K leisure trail repairs
- \$120K in boardwalk repairs
- \$3.2M Road Project – separate – not included in scenarios. Discussed by Board on 10/4. Finance Committee requests inclusion in revised budget.
 - Reviewed – upgrade standard of roads
 - Includes paving of Eugenia Ave. dirt road portion
- Summer Islands Bridge - \$700K
 - Is it possible to change to a fully concrete bridge?
- Canoe/Kayak storage – Rhett's Bluff facility \$127,500
 - Is this reserve \$\$ - should this be new Capital expenditure?
 - Does this fall under Amenities Task Force? Yes
 - Remove for now
- Rhett's Bluff Drainage - \$250K
- Automatic Water Control Structure - \$210K
- Inlet Cove Envirolock - \$120K
- KIP – at Kiawah Beach Drive – Speed tables - \$180K placeholder
 - Working with engineers to design potential solutions



Discussion about costs of high expense infrastructure items, ie: vehicular bridges and how assessments are allocated across all members. Should these be paid for solely by members beyond them? Very difficult to make this fair.

Landscape Capital Improvements

- Pond Bank Pruning
 - Why is this Capital?
 - Is this considered regular maintenance?
 - 30 yrs of overgrowth – more than just mowing
- Line of Site Mitigation

2022 Budget Scenarios

- Historically, we have been comparing previous years budget to following years budget.
- New approach - compare estimated year end 2021 budget to what the 2022 Budget would look like.
- Working on 2021 projections now and hope to have that comparison next week.

Paul Hough – what is overall approach to the budget estimating process?

- Shannon stated there's a mix – depending upon account and department
- CTR for example. Reached out to Dan Whalen at KI real estate for sales projections for 2022 in order to discuss CTR projections.
 - Some accounts – look at historical averages – particularly on allowance accounts
 - Project accounts typically start with \$0 base every year

Next steps:

- As soon as we have the 2021 EOY projections, they will be shared with the Committee for further discussion of the scenarios.
- Start dialog before the next review on 10/26
- Will send additional employee information and recommendations.

Paul Hough - Document assumptions on Revenue side same as on the Expense side.

CTR assumptions? **(Recording unclear)**

- Underlying consequence of Scenario 1, 2 and 3
- Getting the right underlying accounting related to CTR – (\$4.1M) over reserving and underproviding operating. Don't want a large overrun – look at process of how cash flows once assessment. Ensure underlying accounting is right but also want the right operating budget.

Paul Hennessey – KICA is a single enterprise. Moving allocations around may confuse people – doesn't make sense to do it in middle of budget process. Keep the allocation process simple – focus on Scenario 1 – don't add a level of complexity.



Alex: We do need to ensure we disclose our financials properly, budget not co-mingled - reserve money is separate from our operations money – we need to reflect reality in our disclosures.

Member assessment and how it's allocated – for ex: 30% goes to Operating – 70% goes to reserve. If this changes - how to disclose this clearly. Will members be more concerned with bottom line vs. detailed analysis of how it's allocated?

Request to share with the Finance Committee an updated/interim analysis by the outside Reserve specialist. Committee still supports the \$4.1M gross contribution to Reserves as recommended by the Reserve specialist.

Member Comments:

- Consider subsidizing travel expenses – encourages retention
- Move to a relationship approach for talent acquisition – referral bonus? retention bonus? Reduces flight risk. Develop relationships with outside organizations
- What was cut from proposed budget?
 - Several personnel cuts – primarily positions not currently filled in current staff.
 - Fleet vehicle
 - Retimed some MR&R projects

Paul Hennessy - In preparation for budget presentations to Board and members, have a carefully scripted response about the last 20 months and the perfect financial storm in terms of increased revenue/decreased expenses relative to expectations. Be able to explain what the aggregate number is and status of unusual cumulative surplus. Budget Presentation to members in November.

Alex F. - commented on transfer of \$2M from reserve account to Moneta investment. Should have a firm number on any additional transfers in next few weeks.

Alex requested motion to adjourn at 11:57 am – seconded by Paul Hough.

Upcoming Meeting Dates:

Tues, October 26 @ 10 am – Finance Committee & 2nd Budget Review

Wed, November 24 @ 10 am

Wed, December 22 @ 10 am

Respectfully submitted,

Ellen Festa, Executive Assistant

