

# Meeting Minutes

October 26, 2021 at 9:00 a.m.

Bobcat Hall & Virtual

## Members Present:

In Person: Alex Fernandez, Paul Hennessy, Paul Hough

Virtual: Lisa Mascolo, James DiLella, Jerry Honea, Bran Petronovic, Jeff Porter

## Others Present:

Board Members: Dave Morley, Brad McIlvain

## Staff Present:

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

## Meeting Minutes

Alex F. called the meeting to order. Motion to approve October 6, 2021 minutes. Motion to approve minutes passed unanimously.

## Reserve Policy

Discussion about changes to be made to the Reserve Policy:

- Change verbiage to reflect the 15% operating expense from CTR
- Look to include timelines for MR&R funding

Paul Hennessy and Jerry Honea will discuss potential updates and bring changes for discussion to next meeting

## Final Review – 2022 Budget

Shannon presented summary of 2022 Budget focusing on Scenario 4 with Recruitment & Retention plan:

- Looked at staffing issues raised at 10/6 meeting
- Worked with leadership to come up with a plan



- Determined that additional money is biggest motivator, particularly to lower grade employees
- Travel incentive will set us apart
- Following concepts are being brought forward:
  - Merit Increase – increased from 3% to 6%
    - Keeps up with inflation
    - Increase of \$122K
  - Sign-On Bonus
    - All departments
    - Increase of \$12K
  - Mid-Year Salary Allowance
    - To be held in payroll budget if needed mid-year
    - Increase of \$70K
  - Travel Incentive
    - Biggest hindrance is commute to Kiawah
    - Structure of Incentive
      - Not for Dept. heads & higher
      - Utilize IRS rate
      - Mileage from home address to KICA work site
      - Factor in schedule
      - KICA to cover 50% of cost – capped at \$5K annually
    - Increase of \$270,500
- Question raised by Paul Hough – is this enough funding to accomplish our goals. \$70K allowance built in to give us room to see if this works.
- Focus should be on ensuring that we hire as many staff as we need in order to maintain branding and standard of the Island. Not so much a budget issue as much as maintaining appropriate staffing levels.
- KICA Staff is comfortable with current staffing levels.
- If approved, this would take effect Jan 1, 2022

Other items:

- Increase to water budget by 8% - 2<sup>nd</sup> half of 2022 only based on KIU notification of intent to raise water rates.
- \$25K to Bobcat study

Paul Hennessy asked how KICA manages increases with any utilities. The board remains engaged in the issue. How we proceed depends upon the specific request.



Question on Other Income. Explanation as follows:

Cassique Security Revenue (\$250K)

Transfer of 15% of CTR revenue

CTR – real estate transfers – how does it differ from Contribution to Reserve? Paul Hennessy suggested calling CTR something easier to understand.

Discussion about how to project and budget for CTR. CTR for 2022 projected at \$1.5M - \$2.38M based on estimates from the larger real estate firms. 2021 projected CTR is at \$3.3M.

- What are implications of projecting and budgeting for CTR? Impacts Cash flow availability for projects not assessments.
- Do we remain conservative at \$1.5M or be more aggressive? We need to look at best way to estimate so that we remain credible in our forecasting and budgeting.
- CTR is always a judgement call and we use our best estimate.
- Committee agreed with using \$2M for 2022.

Largest Capital Projects in this budget (\$8M). We believe we will be able to fund this throughout the year using cash on hand without going into our investment accounts.

Assessments – Scenario 4

- General assessment increases 13%
- Reserve assessment goes down -12%
- Overall assessment increase would be 9% - there was no increase last year

Alex F. recommendation to the committee is to use operating surplus to fund the 9% increase and have 0% increase. We are “cash heavy” - surplus can be viewed as retained earnings and we should be giving it back to the members. Use this cash to not impact assessments this year and reduce our cash position.

Does not change the operating budget number and does not leave our surplus at zero.

Discussion about whether using our operating surplus to fund the 9% increase puts us at risk in future years to have less operating surplus to draw from.

- We would still have a \$1M surplus remaining after funding the 9% increase in addition to \$500K hurricane fund and \$2.3M in depreciation fund.
- Implement a nominal assessment increase for ex: 3%, utilize a portion of surplus. Members will expect some sort of increase with inflation etc.
- Discussion about how to manage/use surplus in future years.
- Finance Committee members agree that a nominal increase would be appropriate.

Suggestion to share with the members much more detail on what our actual surplus is. We are in the process of doing this by our decision to move to quarterly financials. Our year end financials



will include all fund/cash surplus information. Look to break it out by category to make it clearer to members.

Comment made that we should be prepared to explain any assessment increase in light of our cash surplus. Discussion about surpluses, funds, investments and how they all work together in light of our current policies. Look at our entire financial picture, apply experience gained in recent years and review policies with more long term goals in mind.

Recommendation of the Finance Committee is to take forward to the Board a 3% assessment increase utilizing the surplus to offset the assessment increase.

Alex F. stated he would present Finance Committee recommendation but, as a board member, he would share his view of utilizing additional surplus funds.

Shannon provided update on hiring of Director of Finance. Moving forward with (2) candidates. Committee would like to engage in next round of interviews – Alex F. will be involved and preferably one of the members who is a CPA. Will identify who will participate.

#### **Member Comments:**

- What is projected operating surplus for 2021.
  - \$2.4M in Operating Surplus in General Fund – minus \$500K put aside for storm recovery – leaves \$1.93M (remainder of the question from member unintelligible – member's questions answered via email by Shannon, Alex & Jane.)
- Not concerned about Cash surplus – consider using it instead of increasing assessments
- Look at our named storm policy in regards to how members are assessed. For ex: no assessment if repairs are under \$500K, but being assessed for full \$500K if repairs exceed \$500K.
- Perception is more information and detail about financials is needed – look to increase visibility.

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

#### **Upcoming Meeting Dates:**

Wed, November 24 @ 10 am

Wed, December 22 @ 10 am

*Respectfully submitted,*

*Ellen Festa, Executive Assistant*

