

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

November 24, 2021 at 10:00 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Alex Fernandez, Jerry Honea

Virtual: Paul Hennessy, Paul Hough, Lisa Mascolo, James DiLella, Bran Petronovic, Jeff Porter

Staff Present:

Shannon White - COO, Tony Elder - Director of Operations, Ellen Festa – Executive Assistant

Meeting Minutes

Alex F. called the meeting to order. Motion made to approve October 26, 2021 minutes. So moved by Lisa Mascolo, seconded by Jim DiLella. Minutes passed unanimously.

- Alex F. stated that our first quarterly financials have been posted to the website, any feedback on how to improve is always welcome.
- Alex also addressed a member comment from last meeting re: Vgate assets of \$400K. These funds are for repairs/replacement of the Vgate in the event of a storm/hurricane. Alex has asked KICA staff to look at true replacement cost of the Vgate and determine if that amount is reasonable.
- Paul Hough asked if Vgate is part of MR&R analysis and why it's shown separately? Shannon stated that it is part of MR&R analysis and is separate due to terms of the Vgate assessment which is very specific as to what it can be used for.
- Bran P. asked if we would re-allocate the excess funds. Discussion about the \$100 Vgate assessment, the Vgate surplus and what to do with the surplus. Shannon will do some research on this fund balance and how it's grown as well as history of balance fluctuation and voting documents.



Director of Finance update. Search is continuing. We did have a good candidate, but the candidate declined the position. Jane Ovenden has agreed to stay on part time until position is filled.

Reserve Policy

Discussion about changes to be made to the Reserve Policy:

- Changed verbiage to reflect the ‘up to 15% operating expense from CTR’ – this is defined by the KICA covenants.
- Scheduled to go to Board in December for their approval once FC approves.

Paul Hennessy recommended, as previously discussed with the FC Chair, that the policy include a requirement for the Finance Committee and the Board to officially adopt and disclose to the Community on an annual basis, a ‘Best Estimate Forecast’ of MR&R inflows (including CTR and Assessments), expenditures, and opening and closing balances for this critical reserve and its in-scope infrastructure assets over their then remaining useful life. Our reserve consultant is a critical and specialized advisor and not an ‘owner’ in managing our reserves.

Alex commented that the policy does state that the FC will review reserve fund assets on a quarterly basis. Any adjustments would then be made before the annual budget process. Important function of the FC and the main reason we wrote the policy. We can always review and revise this policy as we move forward.

- Lisa M. states policy as written is fine, but suggests we look at content of analysis that’s done to address Paul Hennessy’s suggestions.
- Paul Hough suggests face to face review with the reserve specialist about their forecast to have more informed opinion of the results. Rely on the experts and their additional expertise about more long term forecasts.
- Jerry H. stated that we need to not get caught up in defining operational procedure in the policy – the policy should focus on what we’re doing – not the how.

Jerry H. made motion to approve Reserve Policy as it stands – seconded by Lisa M. All voted in favor with the exception of Paul Hennessy who was not in favor.

Finance Committee Charter

Identified following changes to charter.

- Chair of the committee will generally be the Treasurer of the board. However, board may decide to appoint a KICA member with a strong financial background as chair of the committee.
- Committee member terms changed from 3 years to 4 years with staggered terms to maintain continuity
- Change all references of monthly to quarterly.



- Committee members will resign if elected to the Board.
- Change review KICA's 10-year capital projection spending plans to 5 years.

Discussion about changes to flow of Finance Committee Role, Objectives and Specific Responsibilities.

Alex commented they will be looking at depreciation reserve in the future. New draft will be sent out and if no objections to the changes, Alex will take this to the board for approval at December meeting.

Financial Controls Manual

Lisa M., Bran P. and Jeff P. reviewed and made changes to the FCM. Alex wanted to ensure that the FCM does not give any one individual unlimited authority but also does not hamper the ability of staff to do their daily activities. Request the committee review the FCM given its complexity and provide any changes, bullet points and comments to Lisa, Bran and Jeff. The FCM would be sent next to auditors for review.

Named Storm Policy

Lisa M. made suggestion to clean up the bullets that document how the storm fund would be used and make it clearer:

1. \$1M reserve first
2. Supplemental assessment
3. Membership vote for a special assessment

Sub-committee of Paul Hennessy and Jim DiLella will review and make recommendations on how to fund the reserve if it's depleted in any given year due to storms.

Paul Hennessy comments:

- Reserve disclosures need to be improved. Recommends that we consider creating a template for reserve disclosure before 2022 audit so that we are confident we're getting what we need.
- We should be doing an annual reconciliation of all the reserves (depreciation, storm, vGate, etc.) individually and collectively, to the balance sheet of the Association. Feels the membership should have this information.
- Alex has discussed with the auditors – agrees we need to have reserve disclosures broken down for the members – balance sheet will be footnoted showing the different funds break down. It is an objective we have set with the auditors. We will get information from the auditors and then have KICA frame it for our members.
- Discussion about how it can be done easier and simpler without waiting for an audit.



- Should this be a simple management report that reconciles our funds against our balance sheet. Can this be done by our Comptroller?
- Paul Hennessy has a template that we can use and will send to the committee members.

Alex requested motion to adjourn at 11:24 am – so moved by Jim DiLella, seconded by Lisa Mascolo.

Upcoming Meeting Dates:

Wed, December 22 @ 10 am

Respectfully submitted,

Ellen Festa, Executive Assistant

