

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

December 22, 2021 at 10:00 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Alex Fernandez, Paul Hennessy, Paul Hough, Lisa Mascolo, Bran Petronovic

Virtual: James DiLella, Jeff Porter

Not Present: Jerry Honea

Staff Present:

Shannon White - COO, Ellen Festa – Executive Assistant, KICA Communications

Meeting Minutes

Alex F. called the meeting to order. Motion made to approve November 24, 2021 minutes with changes to Reserve Policy (up to 50% funded) approved by the Board. So moved by Paul Hennessy, seconded by Jim DiLella. Minutes passed unanimously.

Finance Committee Charter and the Reserve Policy approved by Board at 12/6/21 meeting with minor change [end goal is to maintain up to 50% funding level.] If this should need to change in the future, a recommendation to change the Policy would be brought before the Board.

V-Gate

- Shannon reviewed V-Gate assessment history and fund balance. Went back 10 years: 2012 - 2021 and 2022 budget.
- 1983 V-Gate assessment was established – very general. In 1993, board created a more intentional policy about the assessment and coordinated language with the FCM on its usage.
 - V-Gate fund can be used for building repair & maintenance, utilities, property insurance and expenses associated with manning the gate.



- Large fund accumulated due to majority of development being beyond the gate.
- Projected to be \$346K by end of 2022 which is still high - fund should never be zero.
- V-Gate building has no flood insurance. It is currently covered in normal MR&R reserve – so not necessary to maintain full funding for building replacement.
- Interest accrued has remained in the fund as opposed to transferring to operating budget due to tax implications.
- Alex F. commented that now we know what’s in it – need to develop a methodology to determine what or how much is really needed.
- We can define approach during the coming year on how to manage it and what to do with surplus and make a recommendation to the board.

Named Storm Policy

Paul Hennessy and Jim DiLella read out suggested changes to the policy. Focus was on:

- Creating parameters around use of the reserve
- Replenishment of funds if and when expended
- Define eligible expenses, reporting, disclosure and overall governance of use of the fund

Bran P. asked why the fund is \$1M.

- Alex stated that the Board recently approved increasing the fund to \$1M based on FC recommendation and current financial situation ex: existing surplus - no specific calculation used.
- Board wanted to reduce the amount of special storm assessments and utilize existing cash surplus to increase the fund.
- Paul Henn. and Jim D. felt it was not in FC scope to determine the amount.
- FC can recommend, but it’s ultimately the board decision and wording allows for flexibility in what the board can approve.

Question: Does the name of the policy lock us into only using these funds for a ‘Named Storm’ given there are various kinds of emergency storms/events.

- After much discussion, it was agreed to change the policy name to “Emergency Storm Policy”. Update Paragraph 7 to clarify what fund can be used for.

Question and discussion on why the replenishment process is different for this fund vs. other funds?

- This is not funded via normal assessment process.
- Board can decide to replenish through positive cash flow.
- Board can decide to change how the fund is replenished.
- Overall philosophy is to provide KICA with a ‘rainy day’ fund to deal with emergency storm/disaster repair to reduce volatility by not creating additional assessments.



- Board has an opportunity to let the community know we are holding these funds specifically for this purpose.

There are many options to replenish this fund if and when it is depleted. This option is the recommendation of the sub-committee. The policy gives the board flexibility on how to replenish the fund and they can always decide to change that.

- Policy currently states COO may individually commit up to [\$50,000.00] with no approval – is this a sensible number?
- Shannon stated she could spend that very quickly in an emergency situation. She feels she would need more and suggests it be changed to \$100,000 especially if she cannot reach the board to get quick funding approval for emergency repairs.
- FC agreed to increase that amount to [\$100,000.00]. Ensure this aligns with Financial Controls Manual.

Finance Committee unanimously agreed to take these recommended changes to the board for approval.

Financial Controls Manual

Lisa M. reviewed with the FC the extensive list of changes and comments made by FC members that have been incorporated into the current draft version of the Financial Controls Manual. (FCM)

Next Steps:

- A draft of the FCM will be sent to the Auditors even though they are in the middle of the audit.
- The FCM will be sent to the board after the Auditors have finished their review.
- This will be taken off the January Board agenda.

Audit Committee

Question for discussion is whether there should be an Audit Committee separate from the Finance Committee:

- Town has separate Audit committee but they have Ways & Means which is the same as their FC – it is a dual role
- Audit activities are very different than FC activities
- Jeff P. commented that nothing requires it be separate but best practice is to have it separate and that would be his recommendation.
- FC has no specific responsibilities in the day to day operation of KICA finances.
- Paul Hough clarified that Shannon is not a member of the FC, just staff liaison – which does not represent a conflict of interest



- Paul Hennessy stated FC Charter clearly states they have fiduciary responsibilities which provides protection to the association. Separate Audit committee would require creation of a policy and associated controls, periodic audits etc.
- Paul Hough commented it would be overkill and is not a proponent of separate committee. We should have the correct procedures in plan to allow FC to perform and monitor audit activities.
- Lisa M. stated we should itemize audit functions to ensure all items are being addressed.

Committee agrees they are not ready to make a recommendation to the board – add to next FC agenda for more discussion.

Audit

- Auditors asking to delay report to March 2 instead of Feb 23.
- FC to review by March 2
- Final report from Auditors by March 4th
- Send to Board on March 7th so Audit report can be approved by Board prior to Annual Meeting on March 11
- 2022 Finance Committee meeting schedule not defined until after Annual Meeting.
- Typically held last Wednesday of every month – but could change if there's a new Treasurer

Miscellaneous

- Paul Hennessy sent reconciliation format to FC members for review and feedback
- When creating schedule for FC, include due dates for items that need to be reviewed (Insurance, auditors, engineer reserve studies etc.)

Alex requested motion to adjourn at 12:18 pm. So moved by Paul Hennessy, seconded by Bran P.

Upcoming Meeting Dates:

Wed, January 26, 2022 @ 10 am

Respectfully submitted,

Ellen Festa, Executive Assistant

