

KIAWAH ISLAND  
COMMUNITY  
ASSOCIATION

## FINANCE COMMITTEE

# Meeting Minutes

June 1, 2022 at 10:00 a.m.

## Bobcat Hall & Virtual

### Members Present:

In Person: Alex Fernandez, Paul Hough, Debbie Diddle

Virtual: James DiLella, Bran Petranovic, Michael Petrecca, Jeff Porter, Paul Hennessy

Guests: Brad Koeneman, Andy Glenn – Moneta Investments

Brad McIlvain, Board Secretary

### Staff Present:

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

## Meeting Minutes

Alex F. called the meeting to order. **Motion made to approve April 27, 2022 minutes.** So moved by Debbie Diddle, seconded by Paul Hough. **Minutes passed unanimously.**

## Presentation of Investments – Moneta

Brad Koeneman and Andy Glenn from Moneta Investments presented our current investment positions and performance.

## Finance Committee Comments

- Paul Hennessy – KICA Blended Benchmark – is that based on 5% cash allocation or 15.2% cash allocation?



- It is based on 5%.
- What was the estimated construction index YTD and where do we get that data?
  - FC used current regional construction inflation index figures – only published annually. As per KICA Investment Policy – we evaluate against that benchmark and beat it by 1% over 3-5 yr. period. Alex commented that it has doubled since 2020 going from 4.96 to 9.37.
- **(Difficult to hear – please make any corrections to Paul Hough’s comments)** Paul Hough commented that in the broader scope of how much risk should be in this Portfolio, we should have a discussion about what we actually will use the money for and when we think that will happen. Keep that in mind as we look at risk, inflation, projected revenue, etc. Alex commented that we need to do a better job of projecting revenue over the next 5 years. Shannon said Dale has started to look at short term, where, when will we need it. Also need to consider our long term cash.
- Bran Petranovic asked several questions:
- Why are you using Mutual Funds rather than ETFs? Do you get a fee discount?
  - Philosophically we lean towards more efficient sectors (i.e.: Large Cap) and are more in favor of Index. It is a balancing act between cost and full return. Market conditions, growth stock scenarios are taken into account.
  - We are Fee only, no revenue sharing from any investment choices.
- How often do you review your Mutual Fund performance?
- Some of our holdings are highly liquid. Is there a dedicated team that looks at Muni’s and are KICA funds held with other funds in Muni’s? Do you have a muni team that does the research?
  - Yes, on an annual basis, we hire an outside firm to do a complete scrub of every bond held and bond desk will come back to us and make notifications of items of concern.
- Does the outside group trigger Moneta if there’s an issue?
  - Outside group doesn’t scrub portfolio live.
- Paul Hough commented about Model Allocation – it makes sense that the Association would have cash reserves, does it make sense to have a cash allocation in our Investment activity. Question for KICA - should there be a cash liquidity reserve for KICA and then send cash to Moneta for investment? Should there be a cash allocation %? We really need to



have liquidity at the Association, not in the money Moneta is managing. Bran P. indicated there's typically a cap (2%, 5%, 10%) on the cash allocation in any investment strategy. Not an unreasonable request but you would also want Moneta to have some flexibility. There is a 'sweep' account where that money does get invested – it is low return, but it is working for us. From a Committee standpoint, these are guidelines, not guardrails. How do we feel about 30 – 65 split between equity and fixed income for next few years? Bran feels we should have a cap on cash – but reasonable – keep it low. Our assets are relatively liquid and we could get cash very quickly if needed, so it's not necessary to keep a large amount of cash available.

- Discussion about our approach with Moneta in managing cash, original strategy was set up early in our contract with Moneta to address cash concerns and access to cash if needed. 4 years in, we need to revisit our approach in light of experience, changes, and recent scenarios.
- Paul Hennessy asked if the cash yield remain in the Portfolio? It remains in the Portfolio.
- Recommendation on the table about moving cash into a mix of Fixed Income and Equities. Moneta will look at that in conjunction with Investment policy.
- Discussion and clarification about 'discretionary' term. Paul Hough doesn't see the role of the FC as getting involved in the day to day 'operational' activities. Onus is on FC to ensure correct oversight is in place.
  - Fiduciary Oversight
  - Strategy role
  - Policy role
- Bran commented that Secondary Cash Mgmt. account, fixed income securities maturity of 10 yrs. or less, trim the maturity to at max 2 yrs. No need to have 10 yr. securities.
- Paul Hough indicated we should review our Policy for consistency in language as it applies to primary investment portfolio as well as secondary cash management account.
- Paul Hennessy - Is fee structure the same for Secondary Cash Management Account? Declining fee schedule applies to all components.
- Discussion about changes to Asset Allocation Strategy.
  - Cash: Change KICA Guideline to 2% with Acceptable range of 0-5%. Goal to manage cash to 1% or better.



- Equities: Discussion about comfort level for risk (30%, 35%) - comfortable with 35% but not higher than 40%. Recommendation is to start in small bites with 35% and a 30-40% range.
- Bran asked if the Board needs to approve these changes. They do.
- Paul Hennessy suggests we add comment in the minutes about use of the term ‘discretionary trading’ and what our membership may interpret this to mean. Suggested change to ‘discretionary management within agreed upon guidelines’.

## Member Comments

- Does Moneta calculate alpha?
  - They do not.

Meeting moved into Executive Session.

## Upcoming Meeting Dates:

Wed, July 27, 2022 @ 10 am

*Respectfully submitted,*

*Ellen Festa, Executive Assistant*

