

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

BOARD OF DIRECTORS

Meeting Minutes

December 5, 2022 at 1 p.m.

Virtual and In-Person Meeting

Board Members Present:

Jerry McGee, Chair

Beth Zampino, Vice Chair (Virtual)

David DeStefano, Director

Lisa Mascolo, Director

Brad McIlvain, Secretary

Alex Fernandez, Treasurer

Amanda Mole, Developer Director

Staff Members Present:

Shannon White, COO

Ellen Festa, Executive Assistant

Tony Elder, Director of Operations

Member Attendees: (42)

Recording of Meeting: <https://www.youtube.com/watch?v=JKTsHTwAC2A>

1. Member Comments – Agenda Topics

Member thanked Brad and the Governance TF for all the hard work, everyone is working well together, and it's been a pleasure to work with this group. Brad thanked the member and said it's the best experience he's had at KICA.

Member asked about \$427K loss of investment income for 2022 when \$237K was budgeted. Were those losses realized or unrealized? Dale responded that market performance was significantly different from what was anticipated. In the 2023 Budget, the unrealized and realized income is combined in one line item. Feedback from Investment Advisor is that we can expect approx. 2.5% income from our overall investments as a benchmark.

Member has two comments. 1) Under the category of "where's our money?", requests that we publish on the website at year end, a clear and complete reconciliation of the



Associations cash and financial assets for each and every reserve account resulting in the net cash surplus of the Association. 2) For MR&R Reserve, Board should formally and officially approve the core assumptions that impact our reserve adequacy - not just make a statement that reserve is adequate but review and approve the assumptions that drive the outcome. Board should approve and separately publish a long term forecast of reserve expenditures and funding levels year by year for as long as the life of our relevant assets.

- Alex responded that we're working on his first recommendation, there's more information and disclosure of our financial position to our members than ever before. We will always work on more detail. For the Reserve, it's been discussed many times by the Finance Committee. Board does not just shoot in the dark with respect to reserve, our reserve specialist presents his expert findings and management and the Board reviews and approves. Our reserves are stronger than they have ever been. Next reserve study will be done in early 2023.

Member commented on Operating Budget for 2023. Should the Annual Budget be a balanced budget – (i.e.: sum total of revenue equal sum total of expenses)? Should there be an unrestricted cash reserve in the Association's balance sheet and if so, what should that level be? Two separate questions but they come together if and when you don't have a balanced budget, with excess fund balance.

2. Call to Order

Chair Jerry McGee called the meeting of the Kiawah Island Community Association Board of Directors to order @ 1:20 p.m.

3. Chair Comments

This is our last meeting for 2022 and Board has made some good progress this year and accomplished some very tangible things. We have two elections coming up – KICA and the Town – encourages everyone to participate and go out and vote.

4. Administrative

a. Approval of November 7, 2022 Minutes **(VOTE)**

Vote Passed: (7) In favor – J. McGee, B. Zampino, B. McIlvain,

A. Fernandez, A. Mole, D. DeStefano, L. Mascolo



6. Reports

a. COO Report – Shannon White

- Holiday season is here – front gate is lit up. Thanks to Joan Collar and her team of volunteers who have done a great job decorating around the island.
- The annual Sandcastle Tree Lighting event was held last Thursday – Sandcastle looks beautiful – thanks to the team and the POPS organization. Last night celebrated with KICA staff at the annual KICA Christmas party – a lovely event and an opportunity to interact with the families of our staff.
- Working to wind up our 2022 infrastructure projects. We’ve been working to complete the 2023 Budget process. Once it passes, we will begin our annual assessment preparations, begin our work for the Annual audit and the upcoming election in January.
- On behalf of the KICA staff, I want to wish everyone a safe, joyous and blessed season.

b. Treasurer’s Report – Alex Fernandez

- CTR activity – real estate sales are down, last month was only \$100K. We are still over our \$2M budget – we’ll be at \$3.2M. Real estate folks tell us there will be less sales, but higher prices.
- As previously reported, we are changing our Investment Advisor and are on target for them to start as of January 1, 2023.

6. Old Business

a. Sandcastle User Group Recommendations Update

- A lot of information and feedback has been shared, in Board Meetings and in Town Halls. Sandcastle group met again on Nov 28th
- Two themes heard from all the feedback:
 - Many non-resident members use their property differently than a full time member.
 - Member always having to be present to check in friends and family members. Full time and part time members both objected to this.

November 28 discussion topics:



- Guiding principles is to create equity, reduce overcrowding in areas and create clear simple delineations.
- Changes are being suggested related to accompaniment. They are suggesting a KICA member may designate 2 ppl over the age of 21 – those designees could check people in under the member’s name.
- Still in flux on 55 passes.
- Lowered guest fee to \$5 per person and only 18 and above.
- Gym and fitness classes: Gym should remain members only and 18 and over. Fitness classes can open up space to friends and family on day of class, if spaces are available.
- Raised priority of photo IDs and how to implement.
- Oceanview Adult pool – suggesting going back to use of wristbands.
- Sandcastle User Group will look to meet again to finalize their proposals.
- Another topic they still need to discuss is enforcement.

7. New Business

a. 2023 KICA Budget (**VOTE**)

- Alex reviewed the 2023 Budget.
- Revenue:
 - Increase in Commercial Access fees which have not been increased in several years.
 - All increases will go into our Reserve account for wear and tear on our infrastructure – 85% will go into Reserves, 15% to Admin.
 - Cassique revenue – 85% will go into Reserves, 15% to Admin
 - Bike Decal – fees to be increased. Had not been adjusted for 10 years - 85% will go into Reserves, 15% to Admin
- Expenses:
 - Payroll: 60% of our budget is Payroll.
 - We are a service organization, important area and need to remain competitive to improve retention and hiring.
 - Increases covered mid-year increases and retention bonuses as well as year-end merit increases.
 - Common Area Expense increases:



- Sandcastle program improvements
 - Preserve plantings
 - Utility increases – ex: 19% increase in water
 - Expect increase in Property Insurance
- Board Member Beth Z and Lisa M. suggested that the Finance Committee should discuss and make recommendations to the Board about how the Association wants to approach balanced budget, unrestricted cash fund and how this would be used in the future.
- Key Points:
 - Forecasting \$475k net deficit for 2022, down from \$948k 2022 budget;
 - Draft budget with the 8.4% assessment increase has a \$1,062,000 net deficit which leads to a \$352k undesignated fund balance;
 - 2024 projections (far right two columns) based on 10% and 5% overall expenses increase with flat revenues demonstrate net surplus and fund balance effects. For reference, a 10% assessment increase produces approximately \$1M in revenue.
- **Alternative Scenario #1** – middle scenario – same analysis that assumes a 10% combined assessment increase.
- **Alternative Scenario #2** – bottom scenario – same analysis that assumes a 13.2% combined assessment increase – the intent with this scenario was to get a net deficit that is ultimately absorbed by the fund balance at or below \$500K.
- Paul Hough (Finance Committee member) was asked by Beth Zampino to provide a high level summary of the budget process pointing out that our expenses are going up, but our assessments have remained relatively flat. It has been masked by our excess unrestricted funds, but at some point this will not be the case. We will have higher expenses and lower assessment revenues. Finance Committee debated that there should be some degree of predictability so that people can plan for it and avoid a large increase in the future. None of these scenarios represent a balanced budget but something we should move towards.
- Alex made a motion to approve the 2023 budget with the middle scenario which includes a 10% combined assessment increase. Seconded by Brad M. *(It was decided to break out Conservancy and ARB items into (2) additional motions.)*

Vote Passed: (6) In favor – J. McGee, B. Zampino, B. McIlvain,



A. Fernandez, A. Mole, D. DeStefano

(1) Not in favor – L. Mascolo

(Lisa stated she was in favor of Alternate Scenario #2)

- Alex made a motion to write-off Kiawah Conservancy 2022 assessments of \$4,054 and to waive the 2023 assessment on 4 lots that are classified as Woodlands Conservancy. Seconded by Amanda M.

Vote Passed: (7) In favor – J. McGee, B. Zampino, B. McIlvain,

A. Fernandez, A. Mole, D. DeStefano, L. Mascolo

- Alex made a motion to include in the 2023 budget, expenses of \$75,000 (net after permit revenue) that KICA pays to the ARB for a liaison contractor that goes back to the 2008 Board approval in preparation for transition of ARB to KICA. The funds are to be included as part of the 2023 budget but not dispersed until the following items are addressed.
 - David D. commented that staff is working on some aspects of transition and if it's headed in the right direction, I would be in favor of continuing the payment.
 - Brad M. why paying for it is part of the transition and since it hasn't occurred and we have no timeframe for it, the question becomes why we're doing it.
 - Lisa M commented that we have questions that need to be addressed, research to be done and not vote on it now.
 - David D. suggested we approve in the 2023 budget but not disperse in 2023 until the Board approves it and seconded the motion.

Vote Passed: (6) In favor – J. McGee, B. Zampino, B. McIlvain,

A. Fernandez, D. DeStefano, L. Mascolo

(1) Abstained – A. Mole

- Alex thanked Dale S. and his team for their cooperation and assistance in this Budget process. Alex feels very comfortable and Dale has brought to the table new documents and views of our information that has made the process easier. David D. also shared that this is his fourth budget vote and it's been very clear and full of good information.

b. Membership Survey



- Leah Burris, Director of Communications reviewed the process/timeline of the 2023 Membership Survey (** see presentation in BOD packet for details)

c. Governance TF

- Brad provided an updated on Governance Task Force activities.
 - We have a good working draft of the By-Laws – decided it was best to do a re-write instead of modifying existing. We’re clarifying and simplifying.
 - Goal is to get it done by end of January so that we can present to the membership in February and allow for a 30-day review by the Community. Possibly a Town Hall meeting format where we will include explanations of why we did what we did.
 - Beth Z. commented that it seems to be a very aggressive timeline. If we look at how long the Sandcastle group took, we might need more time. Brad suggested it might be aggressive, but we’d like to try.
 - Will eventually look at Covenants, but we’re trying to limit Covenant changes.

d. KICA Election Key Dates

- Brad commented that even though we only have one candidate, we do need to have the election. Election opens on January 16 and closes on February 16 – Annual Meeting will be held on March 17, 2023. Even though it’s an uncontested election, it’s important to vote and we still need to get quorum. If we don’t make quorum, we would have to do another election. Encourages everyone to vote.

8. Board Member Comments

- Brad commented on a pre-suit demand letter KICA has been served with. It raises two issues. 1) Jerry’s extension, and 2) Preclusion of certain Board members from speaking to counsel and exercise their fiduciary duties. The response is due by Dec 16, 2022.



- Discussion about the letter and distribution to the Community. While it has been released by a member, Jerry feels the Board needs to get advice from counsel before officially releasing.

9. Member Comments

Member question on KICA Covenants, Article VII, Sections 1 and 2 - would like the Board's perspective. It states that the Board must establish the ARB and that the ARB must be presiding authority over common areas – appears to be a specific carve-out for the common areas.

- Brad stated it is a legitimate question that needs to be looked at. Look at it from whether it's mandatory. Is it something the Board can or can't do?

Member comment on question of adequacy of MR&R Reserves. Participates in Finance Committee and they have done an unbelievable job of improving the process, but majority of the community broadly probably doesn't understand the issue of reserves and adequacy of funding levels. Would be helpful to see the degree to which we have uninsurable assets. Would also be helpful to do a pro forma analysis of what we should have been charging for assessments historically, feels a large increase is coming in 2025 and it will help the community see the progression.

- David D. commented most of uninsurable assets are roads and drainage. In the event of a catastrophic event that would take those out, most of us wouldn't even be on the island.

Member comment on use of wristbands – encourage use of an environmentally safe method.

Member comment on pre-suit demand letter – important for the membership to see. Asking for release of the legal opinion that KICA received related to chair's extension of term. Feels the Board should waive any attorney/client privilege so members can see it.

Member commented on Member Survey – topics are always the same. It doesn't account for other topics that membership may really want to talk about which mostly appear in the Comments section. Member feels this is where the issues really are and ask that the survey be adapted to hit more of what the people really want to talk about.



Member question about the buildout and if we've reached the 20%. Board is in agreement that we have.

Member will send the recommendations he made earlier in the meeting to the Board and will expect a response.

With no further business, Jerry M. asked for a motion to adjourn. So moved by Brad M. and seconded by David D. Meeting was adjourned at 3:10 pm.

Respectfully submitted,

Ellen Festa, Executive Assistant

