

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

February 1, 2023 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Lisa Mascolo, Paul Hennessy, Jim DiLella, Michael Petrecca

Virtual: Bran Petranovic, Paul Hough

Guests: Brad McIlvain - Board Secretary, Alex Fernandez – Board Member

Not Present: Debbie Diddle, Jeff Porter

Staff Present:

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

Meeting Minutes

Lisa called the meeting to order. Brief statement by Lisa regarding Alex. “I’d like to thank Alex for his service to the Community and I want to make sure that I state categorically that the Treasurer transition had nothing to do with anything related to the finances of the organization.”

Member Comments:

Todd Boney: Liquidity Report – 1) Uncleared checks - are they put back into AP? 2) What is payroll frequency since it effects your cash position at year end; 3) when will Reserve Study be released?

Maura McIlvain: Interfund Transfer from Operating to Reserve on the Income Statement. Request Dale to address that – thought all reconciliations were already done at beginning of the year.



Brad McIlvain – on Liquidity statement – depreciation fund is done according to Board policies – don't believe this is true. Requested an accounting of depreciation fund – it shows money going in but not going out. Would also like to thank Alex – he did an incredible job.

Motion requested to approve November 30, 2022 minutes with minor updates provided by Michael Petrecca and Paul Hennessy. Paul Hennessy requested that minutes be provided a week after the meeting. Shannon said she will do best efforts to accomplish this. Lisa also suggested we implement a tracking mechanism to track all action items that come out of a meeting.

Gaye Stathis suggested use of 'Otter' as a transcription of meeting minutes if needed.

Approval of November 30, 2022 minutes - so moved by Paul Hennessy, seconded by Jim DiLella. Minutes passed unanimously.

Dale provided review of Financials, Liquidity and Investments. Dale will ask for questions and comments after each section. (See Financial Documents for details) Minutes will document highlights, comments and questions.

Assessments:

- \$13M have been billed - \$8.9M collected so far (65%) – ahead of last year at this time.
- Resort and Partners have already paid – Alex commented that this is the first time in a long time that they have paid in such a timely manner.
- Lien status – 2 outstanding as of 12/31/22 totaling about \$5K – both were paid in January – entering 2023 with no outstanding liens.
- Seamless transition from Moneta to Cook Street. It was completed by year end – no issues and there was good cooperation.

Finance Committee Comments:

Bran Petranovic: Suggest we look to set up a meeting with Cook Street and entire Finance Committee possibly before Annual Meeting. Paul Hennessy seconded this idea so we can hear their Investment strategy for KICA.

Michael Petrecca: Fifth Third Bank in Columbia offering 4% on cash reserves, is it worth asking our bank what we can do in that area.

Paul Hennessy – Makes a suggestion that we identify excess flood management funds as a separate legitimate, approved Reserve.

Consolidated Balance Sheet:

Finance Committee Comments:



Paul Hennessy: If members wanted to know total of cash and equivalent balances and total of investment balances, (i.e.: Cash on Hand) is it correct that we are currently at \$21M? Dale confirmed that is correct.

Short discussion on 2022 Forecast and Actuals as they relate to 2023 budget and how forecasting will be used in the future.

Lisa M.: Asked Shannon how the labor market is.

Shannon stated it's still not good, but we're doing better at retaining.

Lisa M: How is IT Vendor is working.

Tony responded it's working out well, will continue to improve as we consolidate from the two companies currently providing service (Cantey and JCM) down to just Cantey.

Paul Hennessy: Regarding the MR&R – net deficit for 2022 of \$1.2M, does that imply that net/net MR&R Reserve is lower year on year? Dale confirmed that.

Michael Petrecca asked if there have been any questions about Assessment increase.

Shannon responded that there haven't been many.

Jim DiLella: Has received questions on why there was an assessment increase. Suggests we send something out to the community explaining the 12% increase in more detail.

Paul Hennessy: Suggests it might be helpful to show a comparable period of different quarters, for ex: Q3 2021 vs. Q3 2022.

Alex F. – As a courtesy, send Board Financials prior to sending to the membership. Alex commented he doesn't see \$13.3M anywhere in Operating – Dale will look into that. Also include “not audited” statement on all documents. Dale and others commented that “preliminary, pre-audit” was present.

Liquidity:

Finance Committee Comments:

Paul Hennessy asked to clarify that the figures in the Liquidity statement under Current Assets does tie back to the \$21M ‘cash on hand’ figures discussed earlier. Dale and Lisa confirmed.

Paul Hennessy: Regarding the Board of Directors commitment to future repairs/replacement, the \$14.9 figure is somewhat misleading. Implies that the total future outlay for MR&R to our infrastructure is \$15M – which is not true since our reserve is approximately 50% funded. Board's



obligation is twice that amount. In terms of liquidity, we should explain to the community that we don't just have \$14.9M.

- Dale said we could tell the community that the actual commitment based on Reserve Study is \$\$xxx, of which this much is funded.
- Brad commented that these funds are just for MR&R specific things. It's not a Board commitment, it's actually a Covenant requirement.
- Jim DiLella suggested we identify all of our 'restricted funds'. We have Named Storm, MR&R restricted, Flood Mitigation – we have 3 restricted funds, let's call it that.

Discussion about 2022 Expenditure Carry Over. Identifies approved projects that did not complete in previous year and approved funding is carried over into current year to pay for them when completed. Not part of current year budget, but carried over from previous year budget. It was clarified that this has been done in prior years.

Paul Hennessy suggested that carry over items, shortfall, overages, they will always exist. Paul stresses the importance of communicating to the membership the state of their assets at the end of the year. Great start but don't make it so precise that it loses its value to the membership - keep it simple don't get bogged down in details.

Paul Hough thanked Dale and team for great work, helpful in understanding where we are and essential to assist in the fundamental decision that Board makes about assessment levels for upcoming year. Any assessment level discussions include how much cash do we have to fund operating budget and what funding levels should be. These reports give us a sense of why our liquidity position is what it is at end of year. For the Committee, most important number is unrestricted and uncommitted level of cash and what we want to do with it. Hold it? Give it back to members? Change our assessment process? Etc. This is where focus of committee should be.

Lisa M. asked if we have this liquidity number over time. Shannon could pull this number. Discussion around things that have been done with unrestricted funds, ex: Sandcastle, Roads. Lisa said is this something the Finance Committee and the Board should discuss and recommend what to do with it.

Paul Hough stated that the commitments we have for cash are driven by policy or Board decision except for the liquidity funds. Part of what FC should be thinking about what is responsibility to determine its use.

Brad commented that if Funded Depreciation is a Board policy, it should be approved as such. Paul Hough clarified it is part of the Financial Controls Manual which is approved by the Board.

Paul Hennessy asked if his summary that \$21M total amount of cash and investment that includes Named Storm, Depreciation, Flood Mitigation and MR&R, which are restricted fund categories approved by the Board that after the math, lead us to the remaining \$1.5M that is used to determine if assessments are too much or too little? Dale confirmed his summary is correct.



Member Gaye Stathis commented that membership should understand current assets are a snapshot at a point in time and that this fluctuates regularly.

Investment Report

Dale reviewed Investment Report.

Finance Committee Comments:

Jim DiLella suggests the Finance Committee meets with Cook Street before releasing Investment Report to membership.

Paul Hennessy suggested we be mindful of cluttering the message. Discussion about how to report and incorporate all the information.

Member Comments:

Maura McIlvain: Be sure to include all restricted funds, there are others such as Preserve, Ocean Park, and V-Gate.

Interfund Transfer question: Should it be a positive back to operating? Dale stated he would look into it.

With the transition to Moneta, has anything been done to look at moving the 401K away from Moneta?

Shannon responded not at this time. Paul Hennessy asked if the FC has jurisdiction over the 401K. Shannon stated it does not as per decision by the FC. Brad asked if the Board approved that. Alex stated it's a commitment and therefore a KICA liability. Paul Hennessy disagrees. It's a separate legal entity that is under Trustees and managed by Investment Advisor which may make it out of scope for this committee.

Paul Hennessy commented that over the course of the year as we move money to MR&R and invest it, that the mechanics of that process ensures that we don't lose investment income and optimizes our investments.

Todd Boney: Multiple comments: V-Gate excess cash \$500K; and \$200K non-cash income from Comcast. Unless payables at abnormally high level – keep a conservative presentation. Some figures such as carry over, may be too fine a point for membership. Agrees the Consolidated column should be removed. Feels we're understating our cash position. Various comments on P&L figures, take into account how funds are calculated if payroll is every two weeks. Look at depreciation funds and how they are invested if the Board decides that cash needs to be used for other purposes.



Lisa M. commented that looking at what to do with excess cash should be something the Finance Committee looks at and see what the policy might be given all the different points of view, discussions and comments.

Gaye Stathis commented on Moneta managing the 401K. They have services to act as 401K plan administrator and Cook St. may not do that. Might be good to look at some lower cost plan administrators.

Paul Hennessy asked if 401K trustees have been identified publicly and how are they selected. Shannon said she doesn't believe they have been identified publicly, she is one of the Trustees as is Sarah Bond and Dale Schoon. She appoints the Trustees, Paul Hennessy feels we should look at that.

Meeting adjourned at 10:43 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

