

KIAWAH ISLAND  
COMMUNITY  
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

June 1, 2023 at 8 a.m.

Bobcat Hall & Virtual

**Members Present:**

In Person: Lisa Mascolo – Chair of FC, Paul Hennessy, Paul Hough

Virtual: Bran Petranovic, Jeff Porter, Debbie Diddle, Jim DiLella, Michael Petrecca

Guests: Dana Hensel, Stuart Thomas, Jeff Stein (V) Cook Street

**Staff Present:**

Shannon White - COO, Dale Schoon - Director of Finance, Ellen Festa, Exec Asst.

**Meeting Minutes**

Lisa M. called the meeting to order at 9:02.

Lisa M. asked for a motion to approve the minutes from the April 27, 2023 Finance Committee meeting. So moved by J. DiLella, seconded by P. Hennessy.

**Vote Passed: (8) In favor** – L. Mascolo, P. Hennessy, P. Hough, J. DiLella,  
J. Porter, M. Petrecca, D. Diddle, B. Petranovic

**Dale provided updates on the following:**

- Flood Assessment is being mailed out. Flood mitigation overview provided.
  - Paul Hough asked why Flood Assessment is not sent out with regular assessment.
    - Shannon stated it was just a timing issue when the vote was taken.



- Dale commented would be a preference for any future special assessments to be billed with regular assessment rather than installments over multiple years
- Assessment collection – 99.8% collected. 13 delinquent accts - \$30K. Hope to reduce this before liens are filed.
- RFP for Auditor status:
  - 12 invite letters went out
  - 4 declined
  - 6 will participate
  - 2 responses received so far

## Investment Presentation

Dana Hensel and Stuart Thomas of Cook Street, presented an overview of the KICA Investment Portfolio. (See presentation for details)

## Finance Committee Comments/Questions:

- Paul Hennessy asked about OCIO (Outsourced Chief Investment Office) agreement – would like a clear, unambiguous and documented breakdown of ownership and relationships in areas of responsibility. (Morgan Stanley/Cook St./KICA).

**To Do:** Cook St. will provide this info.

- Bran P. asked if cash is in sweep account.
- Paul Hennessy – ensure terminology is in synch in reports and in what we have in our policy.

Discussion and questions on Investment Policy Statement

- Benchmarking performance vs. real performance.
- Fixed income targets (7.0%) – appropriate for non-profit.
- Paul Hough asked if KICA has been served well or not by our policy

Bran P. asked how quickly we can unwind our less liquid exposure.

**To Do:** Cook St. will take this away and get some info.

About \$500K is in low yield 'legacy' CDs. Approx. 40% of this will come due in next few weeks and will be invested in higher yield products. Doesn't make sense to liquidate before maturity.

Municipal Bond area – misalignment with benchmarks. Not at risk but hard to determine performance as benchmark has no municipal bonds in it.

Discussion about when Cook St. would 'fire' a manager that's not performing.



- Time period is a 1-to-2 year view. They have a watch list process – they don't make rash decisions but look at performance over quarters and look at reasons before making a decision.

#### Review of Investment Policy Statement

- Confirm long term return goals (ex: total return equivalent or greater than construction rate +1%) and how to tie it into Reserve Study %. Construction PPI – don't use point in time but a 10 yr avg. Paul Hough said this is important point and something that the FC needs to discuss as a strategy of where we want to be.
- How often do we review our Asset Allocation Strategy? Should we be more engaged in this? Approach is not just 'here's our objective and turn it over to be managed.' Cook St. suggested it should be an annual discussion.
  - Revisit Asset Class % and Equities.
  - Right now very narrow guard rails - % range in Equity is good but more flexibility in specific allocation %s.
  - Bran P. asked if we want to have more active role in managing this.
- Item IV: Add language outlining that we've hired Cook St. to act in a discretionary capacity – fiduciary best practice.
- Item V: Permitted investments in Fixed Income
  - Look at Page 82 of presentation for language consideration
  - Remove maturity constriction of 10 years.
- Paul Hough commented it is a philosophical discussion about what our growth return should be.
  - Keep up with inflation rate? Exceed it? More risk here

**To Do:** Finance Committee will look at Investment Policy

#### \$5M Excess Umbrella Coverage

Discussion about the \$5M.

- Paul Hennessy – what exactly are we trying to protect against?
- Bran P. – minimal amount to get the additional \$5M – not a big figure for that coverage.
- Discussion about why historically we raised it to \$25M. Was partially due to the shuttle.
- Paul Hough – What exactly does KICA need? Is it \$50M or some number in between?
- Jim D. – does USI have any information on other cases, if any.
- Lisa M – said she's OK with not rushing the decision
- Michael P. – why delay? Busy season coming up with more risk, why not do the extra \$5M now and then revisit. Risk of market not wanting to increase.

Decision is to pick Option 2. (See attachment w/Options)

- Have USI see if there's more \$ out there?
- Determine what the right amount is.



Lisa M. asked for a motion to recommend Option 2 to the Board. So moved by Paul Hennessy, seconded by Jim Dillella.

**Vote Passed: (8) In favor** – L. Mascolo, P. Hennessy, P. Hough, J. Dillella, J. Porter, M. Petrecca, D. Diddle, B. Petranovic

### **Role of Finance Committee**

- a) Per Finance Committee Charter: The Finance Committee (FC) will advise the KICA Board (Board) in matters of Finance, Audit and Accounting in order to further KICA's mission of protecting, preserving and enhancing KICA's assets and services, and prudently managing its financial liabilities. The FC will recommend improvements to the financial policies that govern KICA. The FC will assist in the achievement of KICA's goals as defined by KICA's policies and strategic plan.
- b) Role is:
- a) Advisory to BOD in matters of finance (budget, insurance approach and recommendations, reserve policy and recommendations, investment policy and recommendations, audit approach and recommendations)
  - b) Establishment of guiding principles and procedures through the FCM and Policy Statements to COO/Director of Finance
  - c) Advisory to the board in terms of resourcing of team
  - d) Not day to day operations

### **Tasks:**

- a) **New Auditor selection and 990 Finalization**
- WHO: Lisa, Jim, Jeff, Michael
  - WHAT: Work with Dale to solicit and evaluate proposals from potential auditors; help drive the 990 to completion and timely submission; on boarding of the new audit team
  - WHEN: Aim for end of June
- b) **FC Charter and Financial Controls Manual review –**
- WHO: Bran, Lisa, Debbie, Jeff
  - WHAT: Review the list Beth Zampino has drafted once reviewed by the Board along with any other inputs from FC members and draft revision as appropriate
  - WHEN:
- c) **Overall Budget Strategy –**
- WHO:
  - WHAT: formulate a recommendation with respect to balanced budget, targeted annual surplus for a designated purpose (e.g. self-insurance et al)



- WHEN:
- d) Reserve Fund Policy –**
  - WHO: Paul Hough, Paul Hennessey, Jim DiLella, Debbie Diddle
  - WHAT: Policy update draft; procedures update draft
  - WHEN:
- e) Investment Policy Statement –**
  - WHO: Bran
  - WHAT: Update policy
  - WHEN:
- f) Audit Committee –**
  - WHO: Jeff, Michael,
  - WHAT: Define purpose and draft charter and bring back to FC for vote to establish the committee
  - WHEN:
- g) Investment Committee –**
  - WHO:
  - WHAT: Assess and make recommendation as to the potential need, purpose for an investment committee and bring back to FC for vote to establish the committee - if affirmed, group reconvenes to establish charter and recommendation to BOD
  - WHEN:
- h) Internal Controls –**
  - WHO:
  - WHAT: Assess and make recommendation as to the scope and need for an internal controls function at the board and or organization level
  - WHEN:
- Discussion about Audit committee.
  - Paul Hough is not sold on why we even need an Audit committee, would like to hear other viewpoints.
  - Jeff P – fold Internal Controls into Audit Committee – not 2 separate areas
- Paul Hough commented that **Items f, g and h** is a much broader conversation. The concerns are if this is really the purview of the Finance Committee as it exists now or is it a more defined structural change on how the Island is managed?
- Michael P. asked if Audit committee would be under the Finance Committee or is it under the Board. If it's Board, would need to be in the By-laws.
- Bran P. commented on whether we have the resources to do this with current FC resources.
- Need a sub-group for Audit Committee – Jeff P. and Michael P. to begin discussions



- Paul Hough – need to look at different structural models ex: Investment Committee and how it impacts the FC Charter and size. May need to expand FC.
- Lisa asks FC to let her know which 2 of the areas they would be interested in...probably each person would need to take 2 areas
- Paul Hennessy said there's a large talent pool on Kiawah for Investment Committee – could advertise for this.

Member Todd Boney comments:

- How to keep policy and additional coverage in synch
- By-laws: Comments re: D&O limits indemnification provisions and legal fees.
- Audit committee – should be independent of management and the Board.

Lisa M. asked for a motion to adjourn. So moved by Paul Hennessy, seconded by Paul Hough.  
Meeting adjourned at 10:05 am.

*Respectfully submitted,*

*Ellen Festa, Executive Assistant*

*Attachment: (USI Options Chart)*





| INSURER/EXPOSURE/COVERAGE/<br>PREMIUM | 5/1/2023-5/1/2024<br>INSURANCE PROGRAM<br>Option One | 5/1/2023-5/1/2024<br>INSURANCE PROGRAM<br>Option Two | 5/1/2023-5/1/2024<br>INSURANCE PROGRAM<br>Option Three | 5/1/2023-5/1/2024<br>INSURANCE PROGRAM<br>Option Four |
|---------------------------------------|--|--|--|---|
| Excess Liability Insurance Carrier    | Princeton E&S Lines / AmWins                         | Scottsdale / AmWins                                  | Fortegra Specialty / AmWins                            | Tokio Marine (Philadelphia)                           |
| Limit of Coverage                     | \$5,000,000 Excess of Philadelphia & Chubb           | \$5,000,000 Excess of Philadelphia & Chubb           | \$5,000,000 Excess of Philadelphia & Chubb             | \$5,000,000 Excess of Philadelphia & Chubb            |
| Security Professional Liability       | Excluded   | Excluded   | Excluded   | Excluded  |
| Assault/Excessive Force               | Excluded   | Excluded   | Excluded   | Excluded  |
| Abuse/Molestation                     | Excluded   | Excluded   | Excluded   | Excluded  |
| Association Liability (D&O)           | Follows underlying form                              | Excluded   | Excluded   | Excluded  |
| Unmanned Aircraft                     | Excluded   | Follows underlying form                              | Follows underlying form                                | Excluded  |
| Employee Benefits Liability           | Follows underlying form                              | Follows underlying form                              | Follows underlying form                                | Follows underlying form                               |
| Liquor Liability                      | Follows underlying form                              | Follows underlying form                              | Follows underlying form                                | Follows underlying form                               |