

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

August 3, 2023 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

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

Virtual: Jeff Porter, Debbie Diddle, Jim DiLella, Michael Petrecca, Paul Hough

Not Present: Bran Petranovic

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

Staff Present:

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

Meeting Minutes

Lisa M. called the meeting to order at 9:05.

Lisa M. asked for a motion to approve the minutes from the June 1, 2023 Finance Committee meeting. So moved by P. Hennessy, seconded by M. Petrecca.

Vote Passed: (7) In favor – L. Mascolo, P. Hennessy, P. Hough, J. DiLella,
J. Porter, M. Petrecca, D. Diddle



Lisa M. asked for a motion to approve the minutes from the July 5, 2023 Finance Committee meeting for Auditor Selection. So moved by P. Hennessy, seconded by J. DiLella.

Vote Passed: (7) In favor – L. Mascolo, P. Hennessy, P. Hough, J. DiLella,
J. Porter, M. Petrecca, D. Diddle

Paul Hough provided an update on Investment Sub-Committee (Paul H., Dale S., Bran P.) Approach is to use existing policy as a starting point and modify and leverage what's in there. They will also seek input from Cook St., streamline the policy and add clarity. They are considering whether policies should get annual visibility to refresh and revise as part of an ongoing process of policy review. Lisa added that we should articulate the changes from the old policy to the new and why they were made. Sub-committee has looked at different investment policies for reference. General approach is what makes sense for KICA. Recognize there will be differing opinions on some elements, for ex: "Investment Committee", benchmarks, etc. The sub-committee's job is to put forth what they believe is ultimately right for KICA and then debate as a group once all elements have been included. They have had 2 working sessions so far, the goal is to have a completed draft for full review by the Finance Committee at the September FC meeting. Bran's experience and wealth of knowledge has contributed greatly to this process.

Investment Portfolio Update

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

Finance Committee Comments/Questions:

Paul Hennessy: Following up on a previous request to have the structure of the contractual relationship and responsibility of errors and omissions. Is the structure between the entities documented? For ex: Cook St. vs. Morgan Stanley etc.

- Dana: Can provide the contracts and certificates of insurance but the buck ultimately stops with Cook St. and Morgan Stanley.
- Lisa suggested a one-pager that depicts all the relationships.

Paul Hennessy: Asked if the contract is reviewed by Legal Counsel?

- Per Tony - it is not, typically all contracts use our standard contract template which is customized based on the vendor.
- Lisa commented it raises a good point and something to look at.

Paul Hough commented on the (3) areas that are all related to our Investment Policy and make sure we have the correct alignment. This gives Cook St. better clarity about where the goal posts are that allows KICA to ensure we have the right asset allocation distribution in delivering objective returns.



Lisa M.: How does the +1.72 Reserve Fund performance compare to other organizations you manage?

Dana stated the focus is on cash and when you would need that cash. Other organizations are managed similarly based on their timeline for cash requirements.

Paul Hennessy: Reserve General Cash term is confusing – this is not reserve, but operating cash.

Dale mentioned that this had been discussed and Dana will revise the nomenclature.

Paul Hennessy: Why a separate reporting category for MR&R Reserve Cash, why not part of the Reserve.

Dale: Transferred Operating Cash from low interest-bearing accounts into Reserve so that cash is available in the short term, transferred into General Fund and spent. If there's Reserve deficit, may be a need to extract from Reserve Fund to produce cash. \$1.2M is very liquid.

Paul Hennessy: From an investment performance, why do we have 3 buckets rather than 2?

Dale: Operating Cash is short term and not part of the long term investment statement.

Lisa M.: Since the IPS is long term, is there a need for a Cash Policy?

Dale: FCM does have language that it needs to be 12 months or less maturity for Operating Cash. The sub-committee is producing a separate, stand-alone short-term cash investment policy.

Paul Hough: We are looking at having a separate policy ensuring it is clear and distinct: this is MR&R Reserve Policy and this is our other cash policies. Will separate for clarity.

Lisa M.: Format of the Cook St. report is good, don't see any reason why we can't put this out to the Community. All agreed to send this Investment report out to the Community.

Paul Hough: We left a lot of returns on the table and our policy has not worked to our advantage in the past year and a half, due to its extremely conservative nature.

Paul Hennessy: Compliments to Cook St. for Producer Price Index page, asks that Paul Hough and team incorporate this index or similar indexes that have clear and concise information, which would be very helpful. Also, when Cook St. calculates our returns, are you marking to market Equity and Fixed Income portfolios?

Stuart stated that they do, on a day-to-day basis.

Paul Hough: The benchmark is a weighted average of asset classes based on target, not based on actual day-to-day market. Convolutioned and may not always match.

Paul Hennessy: If we are invested differently than our Investment Policy benchmark, that's on KICA. We need a benchmark that says how Cook St. and Morgan Stanley do against those benchmarks.



Cook St. suggests we expand the guardrails with a wider band to benchmark; gives Cook St. team more flexibility. More alignment between the return target and the benchmark itself and discuss if necessary.

All were in agreement to do this Investment review each quarter.

Paul Hennessy: Schedule of fees – do we get a monthly statement that shows fees by asset class?

Dale: We do not currently get that, but it has been discussed and is in the works.

Dale provided a Q2 Financial Review, which is posted on the website.

- Transferred some short-term cash into existing Money Market fund offering a 5.25% interest rate. At end of June, we had \$1.8M and end of July, \$3.1M. This is the only bank account with a balance in excess of the FDIC insurable limit of \$250k.
- Liens - \$9K on 3 properties
- Flood – 92% collected
- CTR – forecasting over budget even with Cape deferral
 - Jan – April: average \$200K per month
 - May: \$328K
 - June: \$680K
 - July: \$425K

Michael P.: What is Other Income?

Dale: This is the 15% admin fee on CTR money allocated back to the General Fund.

Jeff Porter: Why are we under budget on Payroll?

Dale: Strategic – not related to staffing challenges but to strategic decisions on how and when to replace a key position.

Dale reviewed Q2 Forecast Summary. Forecasting is a new process being implemented with all Department Heads. Work in progress, not ready to share with Community. Operational tool to monitor activities, resource needs and will be helpful in budgeting process. As time goes on, this will get more effective.

Paul Hennessy: What is current staffing environment in light of inflation, incentives, etc.

Dale: We're in a great place, great working environment, one of the best organizations he's seen in terms of turnover and longevity.

Lisa M. asked for a motion to adjourn. So moved by Jim DiLella, seconded by Jeff Porter. Meeting adjourned at 10:13 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

