

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

To: KICA Board of Directors

From: Dale Schoon

Date: May 6, 2024

RE: Designated Operating Cash Investment Policy Statement

Historically, KICA has two “buckets” of money, Operating cash/investments and Reserve Fund investments.

1. Operating cash/investments are comprised of those resources needed for current year operating expenditures and are managed by the Director of Finance within the guidelines established by the BOD-approved Financial Controls Manual (“FCM”). The FCM restricts the investment of these funds to short-term investments with maturities not to exceed 12 months.
2. The Reserve Fund investments are resources transferred to and managed by the KICA Investment Advisor within guardrails and performance benchmarks established by the BOD-approved Reserve Fund Investment Policy Statement (“IPS”). This fund is used to repair & replace the long-lived assets listed in the Reserve Study.

The Finance Committee (“FC”) has determined that a 3rd bucket is appropriate and necessary. Included in Operating cash/investments, KICA has historically had resources that are designated to repair & replace named depreciated assets with useful lives of up to 7 years (Asset Replacement \$ or Funded Depreciation), unique events (named storm reserve) and specific Funds (Preserve, V-gate). These are Operating resources that don’t fit the purpose of the Reserve Fund and are not needed for current operations. The FC is recommending that the BOD approve the concept of this 3rd bucket and the related Designated Operating Cash IPS which will govern this designated cash. These funds will be transferred to and managed by the Investment Advisor with the flexibility of slightly longer-term maturities (max 24-month) and the potential for higher yields.

Currently, the Director of Finance, in conjunction with the FC, has established an initial transfer of \$4M to this bucket. The transfer will occur if this policy is approved by the BOD and in stages as maturities occur in the Operating Funds’ T-bill ladder. Each “bucket” would have approximately the following balances after transfer:

Operating Cash/Investments	Designated Operating Cash	Reserve Fund Investments
\$15M**	\$4M	\$15M

In its upcoming review of the FCM, the FC will review and update the cash management section to accommodate this strategy.

*** Operating Cash/Investments will fluctuate with daily revenues and expenditures*