

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

June 20, 2024 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Lisa Mascolo – Treasurer, Larry Wolahan, John McGowan, Bran Petranovic

Virtual: MaryAnn Ashton, Michael Petrecca, Debbie Diddle

Not Present: Paul Hough, Dave Nielsen

Guests Present:

Virtual: Dana Hensel, Stuart Thomas – Cook St.

Staff Present:

Shannon White – COO, Dale Schoon - Director of Finance, Tony Elder - Director of Operations

Meeting Minutes

Lisa M. called the meeting to order at 9:04 a.m.

Lisa asked for a motion to approve the minutes from the May 16, 2024 Finance Committee meeting.

So moved by Bran P., seconded by John M.

Vote Passed: (7) In favor: L. Mascolo, M. Ashton, B. Petranovic, L. Wolohan
J. McGowan, M. Petrecca, D. Diddle



Operating Cash IPS

Morgan Stanley has a requirement that each trading account have an IPS. Operating Cash is invested in Treasuries which is a trading account and Morgan Stanley's compliance team flagged this as not having an IPS. We now have an IPS for all categories of the Members' money.

Bran P. asked about the term Government Money Market rate is the best phrase? Dana Hensel stated that it is and represents a secure, high-quality, short-term investment vehicle. Bran suggests we change it to say "U.S." Government.

The Finance Committee was unanimously in support of this IPS with that change and will take it to the Board for approval in July.

Dale reported that Cook St. lowered the fee on Designated Cash Fund from 0.25% to 0.10%. Cook St. will provide an amended document with this change.

Reserve Fund IPS

Amendment to this IPS adds “, excluding investments in American Depository Receipts (ADRs)” to the prohibited over the counter traded equities investment. Morgan Stanley's compliance team flagged this because, at times, underlying investment managers will do over the counter trades through these ADRs. Those present unanimously recommended this amendment for approval by the BOD at its next meeting.

Reserve Fund sub-committee (Bran P., David N., Paul H. and Dale S.)

The sub-committee discussed two issues: inflation rate and funding level. Current agreement is 50% funded. We're currently at 74% funded but don't want to give the impression we're changing things to stay at 50%. Discussion about what is the correct top end – we suggest somewhere between 50 and 100%. Contentious point, and something the Board needs to decide. These are very long-life assets and there are concerns with going to 100% since things can change. Dale reviewed site components and percentages that have biggest impacts in funding. Sensitivity issue with going to 100%, since current members would be funding future members and may not agree with that approach.



Introduce and incorporate a 10 yr. analysis, track over time and review every year and adjust. Policy acts as a guide to the BOD, assess what's happening based on staff and FC recommendation, and make decisions on what to do if funding level reaches a certain level.

Inflation rate being used by Reserve Specialist. Can we get regional rate? Hard to get. US Producer Price Index "PPI" (Nationwide index), is a final demand construction cost index. Higher rate – varies. Five (5) yr. average is 7.4% - long term average since 2010 is 4.3%. Although this index is not Kiawah specific, it looks to be a more appropriate index than CPI. The sub-committee is considering this in their discussions on the best approach.

Reserve Specialist is using actual Kiawah costs for repairs and maintenance, updating their future cost models accordingly so we're getting some regional info in the calculations.

Concept of special assessment is not a positive one. Generally, sub-committee feels we're in a good place. Also need to determine how best to communicate this to the members and how much and what kind of info we want to provide? Short discussion on challenges communicating information to the community on any topic, not just finance. What's too much, what's too little etc.

BOD member Paul Hennessy commented that it sounds like we're making good progress and expressed thanks to the sub-committee. Paul also commented on funding by current members for future owners is a fairness issue.

Joint Owner Fee

Debbie Diddle and John McGown have been working on this with staff and provided an overview of the program, statistics and revenue generated since it was put in place. Discussion ensued and those present agreed that the fee is warranted with some suggesting that it was not enough. The FC agreed that no changes were warranted at this time but it should be a discussion point during the 2025 budget process. Debbie and John will work with staff to develop a "position paper" for the next FC meeting and will be talking with the three (3) members who raised the issue.

Member Paul Hennessy asked if this is related to fractional ownership ex: Timbers?
Clarified that it is.

Dale reported that five (5) liens are being filed. Flood assessment is moving along. They will be interviewing a Controller today. It has been challenging to find talent and have looked at over 50



resumes - many candidates are over or under qualified. The next step would be to use an Agency. Filling the position is necessary but the department is stable and productive so not urgent. It is important to find the right person.

Larry Wolahan commented on the Controller position salary.

Lisa M. asked for a motion to adjourn. So moved by Debbie D., seconded by Michael P. Meeting was adjourned at 10:23 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

