

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

October 17, 2024 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Lisa Mascolo – Treasurer, Larry Wolahan, John McGowan, MaryAnn Ashton, Paul Hough

Virtual: Debbie Diddle, Bran Petranovic, Michael Petrecca, David Nielsen

Staff Present:

Shannon White – COO, Dale Schoon - Director of Finance

Meeting Minutes

Lisa M. called the meeting to order at 9:00 a.m.

Lisa M. asked for a motion to approve the minutes from the September 26, 2024 Finance Committee meeting. So moved by Paul H., seconded by MaryAnn A.

Vote Passed: (9) In favor: L. Mascolo, M. Ashton, B. Petranovic, L. Wolohan
J. McGowan, D. Diddle, P. Hough, D. Nielsen, M.
Petrecca



Budget Review

Dale provided an overview of the 2025 Draft Budget, which is a work in progress; will utilize input and discussion today in order to prepare the next Draft to be reviewed on October 31st.

Reviewed 2024 forecast vs. budget for Operating and Reserve.

Reserve Budget

Paul H. believes a moderate rate of increase in assessments on average, over time, lowers volatility to the membership. Lisa feels predictable increases on a consistent basis is the best approach.

Members of the FC agree. David commented that we can always bump up in years where we fall below. Paul H. suggested we tie this into the increases / inflation rate in investment policy.

Contribution to Reserve budget is based on input from the 2 main real estate brokers for Kiawah Island. John M. requested a chart of potential future development lots, new units, etc. John feels CTR #s are important to look at. Biggest variable.

MaryAnn A. – include in the narrative an explanation of the downside risks in CTR – ex: it was high during COVID years also included increased costs etc.

Bran P. asked if there are any large projects in the future that we should be looking at? For ex: Sandcastle improvements. Discussion ensued.

Dale said anything new would be funded out of the Operating Fund and then moved to the Reserve component list. Paul H. reminded that current reserve is for current infrastructure assets and that anything newly built would be added.

Shannon added that most large projects being considered are too early in the process to plan or budget for.

Operating Budget

Discussion about cash – surplus and how to present this to the membership. Placeholders such as absorbing the ARB need to be part of the explanation. ARB startup staff positions are included in the 2025 Budget.

Discussion about a potential need for an ARB Assessment. Paul asked why would this be separate? Shannon said initially we would show ARB expenses separately as their own department. Initially ARB Expenses would exceed Revenue.



Amenity Assessment was increased by the max allowed by Covenants of 5%; need to consider an increase in Joint Owner Fee.

Named Storm replenishment. Dale shared that one option was to increase the General Assessment by \$105 to cover the ~\$500K. Lisa M. said Named Storm policy doesn't define when to use it. The 2024 forecast and 2025 Draft budget contemplate that the Named Storm Fund will be replenished from the Operating Fund. FC felt that the perception is better to replenish from Operating Fund than with a supplemental assessment. Should be part of the Board narrative.

John M. asked what involvement does Finance Committee have regarding decisions on Capital expenditures specific to Eagle Point Kayak Storage? Lisa M. clarified that FC advises with budget scope or as it relates to member experience. The Board drives decisions on what to do and then asks the FC to figure out how to fund it. FC not decision maker.

Ocean Park (HOA) – net surplus balance of \$75K in 2025. How to use it. Future improvements? Back down assessments? Keep a flat segment assessment?

V-Gate assessment – remains flat

Joint Member Fee – discussion on whether to increase. Paul H. feels we should raise it consistently with inflation rate similar to increasing any other community assessment. Will determine rate increase in Joint Member fee once other increases are determined.

Access Fee increase – look at history of Bike Decals. Potentially raise.

General Assessment Rate Increase - For reference, maximum rate set by Covenants is \$3,435

Discussion: steady increase over time vs. volatility is a better approach.

- Dave N. commented that we can't take into account all 4,400 owners' situation. We don't want to get behind given inflation and the increased cost of doing business.
- Consistent increase every year as a philosophy
- Consider around 6% increase with balance of \$1.3M deficit would come from cash
- Show recommendation with deltas.



Larry W. asked what portion of the Investment Income rate is guaranteed? 2025 projections seem high.

Bran P. Treasury yields are lower than the 5% utilized in the budget. Dale will utilize Bran's input re: appropriate yield expectations and incorporate into budget.

Insurance

General overview of expenses, highlighting budgeted 20% increases in Property/Liability. Anticipated increases due to Hurricanes Helene and Milton.

Updated Budget version will be ready for the October 31st review.

Member Comments

BOD Member Paul Hennessy: Commented on large deficit and how it's a controversial issue. Also commented on Kayak Storage cost of \$681K. Need to look at the return on this investment and feels the FC should undertake an analysis.

Paul Hough said it's not the Finance Committee's decision on whether a project should move forward, they just do financial feasibility.

Member Bill Hull – Ocean Park HOA: Budget presentation materials were excellent. Commented on Ocean Park Roads that are not in great shape. They were not built at the same standard as the rest of the island. There is still on-going construction in Ocean Park which is further impacting the roads. What is the approach to address this? Need the roads to be looked at and improve them before they fail.

Larry W. asked what is the cost to bring them to standard? Shannon said she's meeting with Ryan next week to determine next steps. Lisa M. commented that this is another situation of the many funding the few. Have to look at it as a 'Community' Asset. Question is how to fund it?



Lisa M. asked for a motion to adjourn. So moved by Paul H., seconded by MaryAnn A. The meeting was adjourned at 11:46 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

