

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

July 25, 2024 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

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

Virtual: MaryAnn Ashton, Michael Petrecca, Debbie Diddle, Bran Petranovic,
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 9:00 a.m.

Lisa M. asked for a motion to approve the minutes from the June 20, 2024 Finance Committee meeting. So moved by Michael P., seconded by John M.

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



Financial Controls Manual

Lisa M. stated it's been a while since the Financial Controls Manual (FCM) has had a comprehensive review. It's something we should probably do every 2 or 3 years. Debbie Diddle, Michael Petrecca and David Nielson will form a sub-committee to review the current FCM. They will look at any items that may need to be revised and will make their recommendations to the Finance Committee at the October meeting.

**** To Do:** Ellen F. will send the sub-committee the current FCM.

Q2 Investment Update – Cook St.: Dana Hensel, Stuart Thomas

Highlights:

- Q2 Performance – not as good as Q1 but still good.
- US Large Cap Growth did well and Fixed Income mildly positive.
- YTD returns of 4.16% in Reserve Fund performance.

Lisa M. asked if 4 months' maturity for the General Fund – Operating is enough time given that we have a good idea of when we would need those funds. Could we get a better return if it was 6 months? How does it compare to other Cook St. customers.

Dana indicated that the General Fund bucket is shorter term to get as much return as possible and still meet our short-term cash needs, while newly created Designated Fund bucket designed to get more return over a little longer period. General Fund is more unique to us, while Designated Fund is more comparable.

Dale S. commented that the Operating or General Fund investments are designed to have maturities up to 12 months in accordance with the FCM and based on cash flow needs. The current 4-month maturities are in place in order to have cash available for the remaining of the fiscal year.

Larry W. asked if the 60/40 range applies to all 3 funds?

Dale S. stated it's just for Reserve.



Dana Hensel – we think the portfolios are doing exactly what we would expect them to be doing in this market environment and we're in good shape.

Bran P. asked how will Cook St. handle market volatility? Will we have major shifts or more tactical changes?

Stuart Thomas shared what to expect if things change - not major swings, but stay within modest position changes. Long term objective and we don't want to go too far astray from targets.

Paul H. – 2 potential trends – 1) short term pre-election market activities tend to be volatile which will play out over coming months and 2) long term trend is potential widening of market as Fed makes interest rate changes. Question for Cook St. – do those trend lines change the strategy for us?

Stuart Thomas – anticipates a narrowing equity market as Feds look to lower interest rates and volatility related to the election is going to be there, but focus remains on valuations at the companies' level rather than election noise. Cook St. feels markets are driven by fundamentals and business cycles not necessarily election noise. Portfolio is positioned well for this.

Lisa M. said the fundamental belief is to stay focused on long term.

Bran P. asked about our exposure in fund managers on our equity side. Are our managers more growth oriented or value-oriented. Stuart shared information on these and feels they are very diversified on the equity side.

Paul H. referenced the target rate of return in the IPS which is what the sub-committee is working on now. We've settled on the rate. Cook St. will then have a view of whether or not the current distribution will be able to meet that rate and if not, we would need to either change the rate or the allocations.

Lisa M. commented that if we wanted to dramatically increase the fund, we would have to change allocation to growth which introduces more risk. Cook St. can do modelling. Paul H. stated this is something we should do once a year i/c/w the timing of the Reserve Study.



Q2 Financial Report – Dale Schoon

Dale provided an update on our Q2 Financials including a new version of the former “Where is Our Money” presentation.

Bran P. asked what are the fees we’re getting charged by Cook St. for the General Fund?

Dale S. - Treasury account with the Operating Fund is included in contract with Reserve Fund - minimum fee schedule with graduated fee after the minimum. Designated Cash Fund is at .1%.

Bran P. stated our fees should be consistent with the Treasury Portfolio ladder. Consider having a discussion with Cook St. about fees – possibly in early 2025 when our balance is bigger.

**** To Do:** Lisa M. said that she’s planning to discuss at the next Board Meeting the topic of involving the Board in the budget process earlier than November in order for the BOD to provide important guidance.

Joint Owner Fee

Debbie Diddle and John McGown provided an update after reviewing all the information. The recommendation is to not make any change to the current policy but focus on improving communications about the Joint Owner Fee and its history to joint owners. We also recommend reviewing the joint member fee during the Committee's budget preparation process for next year.

Member David Corden: He commented on the fee, disagrees with it and feels it should be eliminated.

Reserve Fund Policy

Lisa M. shared that the Committee should review feedback received from member Todd Boney. Discussion on Reserve funding level - 50% or 100% - this has been an ongoing discussion. The best approach is to utilize our investments to maximize our return and evaluate each year.

Bran P. feels the 50% - 100% range is appropriate.

Paul H. commented on volatility that has nothing to do with what’s in the IPS. Still feels 50-100% is a reasonable range.



Larry W. would like to see from the advisors what it would take to swap the 20 year bonds for a more appropriately spread bond profile.

David N. commented that the 50% low end is where the risk is. What happens when we get close to that?

The board has the ability to decide to raise assessments at any time to compensate. Finance Committee and Board should have a strategy on how to approach this. At the end of each year, we should look at where we are and recommend to the Board if anything needs to be done. This is already defined in the Policy.

David N. commented that 100% funded may not be necessary given we have other funding sources (CTR).

Paul H. commented that we may not continue to see the levels of CTR we've been seeing over the past several years – things will slow down.

Larry W. asked if any of the Resorts' upcoming projects will generate CTR.

Dale S. said that it will and that is built into his 10 yr. projections.

Mary Ann A. asked about the Inflation Rate – how was that decided.

Paul H. said there's no perfect metric. Ideally, we'd like to have a Kiawah specific metric but concluded that we keep drilling down to something related to K.I. which was the Demand Construction Rate. Any rate is volatile. What duration do you use? 10 years?

Larry W. asked if we were going to look at 10 year spend vs. 30 year spend.

Reserve Study chart does lay out cash expenditures over 10 years.

Bran P. asked if we are going to formalize a 10 year plan?

Paul H. said it's hard to codify in the Reserve Policy. Should it be in the FCM. Something to consider each year.

Lisa M. asked for a motion to take the new Reserve Fund Policy to the Board for approval as unanimously recommended by the Finance Committee. So moved by Michael P., seconded by Larry W.



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

Paul H. asked if the Summary document created by the sub-committee becomes part of the formal recommendation to the Board?

Lisa M. we can provide to the Board for information purposes, attach it to the Policy but doesn't need to be part of the Policy.

Dale S. suggests we post the Policy summary to the KICA website as an education piece to the Membership.

The Finance Committee determined that they will not meet in August.

Lisa M. asked for a motion to adjourn. So moved by Michael P., seconded by Mary Ann A. The meeting was adjourned at 10:47 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

