

**CSA Finance Committee
Meeting Minutes
Friday, January 22, 2016
CSA Main Conference Room**

1. Roll Call

The January meeting of the Finance Committee was called to order at 9:00 a.m. in the main conference room of the CSA Building. Chairman Borghesi presided. He opened the meeting by introducing and welcoming the two new members: Maryann Bastnagel and John Farrenkopf. Jeff Herriman and Neil Funnell were thanked for their six years of service and their contributions made to the committee over the years. They are invited to informally attend future meetings.

Present: Dave Borghesi Maryann Bastnagel John Farrenkopf
 Lisa Laudermilch Lee McCollum Rob Marsac
 Michael Tucker Ray Warco

Absent: Carolyn Adams Rich Speer

Guest: Neil Funnell

Ex-officio: Mark Griffith

Staff: Bret Martin Victoria Shanahan David Henderson
 Beau Barnett Jeanne Pearse William Leitner

2. Approval of the October 22, 2015, and November 19, 2015 Meeting Minutes

Copies of the October 22, 2015 and November 19, 2015 were included in the committee's package and were reviewed. Mr. Warco made the following motion, seconded by Mrs. Laudermilch and unanimously passed:

“RESOLVED, the Finance Committee approves the October 22, 2015, meeting minutes as submitted.”

Mrs. Laudermilch made the following motion, seconded by Mr. Borghesi and unanimously passed:

“RESOLVED, the Finance Committee approves the November 19, 2015, meeting minutes as submitted.”

3. New Business

- a. **Acceptance of the Unaudited November 2015 Financial Statement** – A cover sheet explaining the significant variances for the month was included in the committee’s package. Mr. Borghesi said the Net Fixed Assets and Accounts Payable increased due to the purchase of the tub grinder. The financial statements reflect cash flow in excess of budget. IRF interest income has been reinvested. The final payment of \$670,000 for the tub grinder will be made in January 2016.

Nothing else of significance needed to be noted and Mr. Marsac made the following motion which was seconded by Mr. Borghesi and was unanimously passed:

“RESOLVED, the Finance Committee recommends the CSA Board accept the YTD un-audited November 2015 Financial Statement as submitted.”

- b. **2015 Finance Department Accomplishments** – Victoria Shanahan, the Director of Finance and Administration, gave an overview of the accomplishments for 2015:

- Applied for a tax exempt status
- Adopted an Emergency Reserve Fund Policy
- Increased the emergency line-of-credit to \$5,000,000
- Began tracking daily cash balances
- Provided a summary of investments at the annual meeting

- c. **2016 Finance Department Goals** – Victoria Shanahan, the Director of Finance and Administration, gave an overview of the goals for 2016:

- Complete capital reserve study
- In house tax return preparation, reviewed by external accounting firm
- Realistic allocation of resources between related entities
- Implement financial dashboards
- Redesign internal and departmental financial statements that reflect the needs of the users
- Standardize cash balance management

Mr. Funnell inquired if the Cyber-security issues had been addressed. An outside vendor had been hired to review CSA’s operating procedures in regards to protecting CSA’s information via the internet. Mrs. Shanahan said that staff is addressing all the issues found.

- d. **Investment of Excess Assessment Receipts** – Mr. Borghesi explained that unlike other business operations, CSA receives the bulk of its income through assessments that are received by the end of January of each year. Mr. Borghesi

displayed a chart of anticipated cash needs by month and the recent purchase of certificates of deposits during 2016 with maturities to meet those needs.

The chart also displayed cash balances including \$750,000 in money market deposits at three different financial institutions and are currently earning greater short term rates of interest than alternative investments. The money market funds will be used to cover operating costs as necessary.

- e. **Reserve Study Proposal Analysis** – A capital reserve study needs to be performed for CSA and quotes were received from vendors. *Associate Reserves* out of Miami Florida has been chosen to perform the study at a cost of \$22,500. One of the primary considerations for selecting was the flexibility of their deliverables. A separate storm water drainage study is also to be conducted.
- f. **Insurance Coverage** – Ms. Shanahan reviewed the recent renewals of insurance policies for CSA. She displayed both the coverage amounts as well as a comparison of the premiums paid versus the prior year. The 2016 total premium amount of \$477,726 is approximately \$14,000 greater than the 2015 total premium amount.

Mr. Borghesi said that CSA has contingent loss of gate revenue coverage under its wind and hail insurance policy. CSA's flood policy does not provide loss of income coverage. Mr. Griffith noted that CSA has insurance for its buildings and equipment, but cannot get insurance coverage for its roads, bike trails, landscaping, etc. as these are not insurable.

4. **Old Business**

- a. **ASPPPO Service Agreement** – Mr. Martin updated the committee on the current status of the ASPPPO Service Agreement. He said that ASPPPO is a totally separate organization and the agreement should spell out that CSA employees were performing the work as authorized by the ASPPPO Board and/or its President. CSA's legal counsel has been asked to draw up an agreement specifying these criteria. In the interim, the old service agreement has been slightly revised and will be on the CSA Board agenda for approval. The dollar amounts have not changed from those budgeted for 2016.
- b. **Six Oaks Cemetery Forgiveness** – Mr. Henderson gave the historical background on finances and platting issues of the cemetery. After purchasing the property, it was discovered that some of the burial plots had been located outside of the cemetery's original acreage and had been corrected by the cemetery buying additional land from CSA. CSA had placed a lien on the cemetery property for an additional 2.75 acres at a cost of approximately \$229,000. In 2009, CSA forgave \$493,352 of indebtedness due to the inability of the cemetery to re-pay the loan.

One residual problem is that the lien was never released through Beaufort County. CSA is taking legal action to have this lien removed.

Another issue being addressed is that the cemetery has been operating as a perpetual care cemetery under South Carolina state regulation. A legal opinion had been obtained that SOC can be exempt from this regulation. In mid-2015 CSAs legal counsel sent a letter to the State Cemetery Board to this effect.

- c. **Update Tax Status** – CSA’s tax consultant has responded to IRS requests for additional information.
- d. **2015 Audit/Elliott Davis Decosimo, LLC** – Mr. Borghesi said the auditors will be at CSA a couple of days to finalize their fieldwork beginning on February 22nd. The auditors will then meet with Mr. Borghesi and Mr. Warco to go over their initial report.
- e. **Emergency Reserve Fund Balance** – Mr. Borghesi said the Designated Emergency Reserve Fund requires a balance of between 25% and 30% of budgeted operating expenses as defined. He requested that \$300,000 from the Designated Capital Replacement Fund be transferred to the Emergency Reserve fund. 27% of the 2016 budgeted operating expenses at the end of 2015. He requested that \$300,000 from the Designated Capital Replacement Fund Balance be transferred to the Emergency Reserve Fund to bring it up to \$2.5 million. This increased balance represents approximately 27% of the 2016 budgeted operating expenditures as defined. Mr. Borghesi made the following motion, seconded by Mr. Warco and unanimously passed:

“RESOLVED, the Finance Committee recommends the CSA Board transfer \$300,000 from the Designated Capital Replacement Fund Balance to increase the Designated Emergency Reserve Fund Balance to \$2.5 M effective December 31, 2015.”

- f. **Comments from the Chairman** – Mr. Borghesi updated the committee on a couple of items:
 - a. The ASPPPO Board had asked for an update on the progress of the Revenue Task Force at their January meeting. He relayed to the Board that the task force’s work was still in the conceptual phase and that many ideas had been discussed such as: sales tax, increase in CPI index, instituting a property transfer tax, initiating a refundable bond fund, and charging fees for services such as mulch delivery and false alarm checks and vacant house checks. He also had mentioned the potential to create a MID to cover future storm water drainage costs. A lengthy discussion was held on the current status of erosion, dredging, permitting and new

pipe needed for Sea Pines aging storm water system and the drainage work on the Ocean Golf Course.

- b. Mr. Borghesi said that CSA has been operating as a tax-exempt entity since filing for that status and under that status, certain financial information is required to be publicly shared. He questioned whether or not the Form 990 just filed should be placed on CSA's website. Discussion was held on exactly what types of financial information needed to be shared and staff will follow up on this issue.

5. **Adjournment**

With no further business to conduct the meeting was adjourned at 10:15 a.m. The next will be held on March 8, 2016, at 9:00 a.m. in the CSA main conference room.

Respectfully submitted,



Dave Borghesi
Chairman