

Community Services Associates, Inc.
Finance Committee Meeting
May 15, 2018

On Tuesday, May 15, 2018, a regular meeting of the Community Services Associates, Inc., (CSA), Finance Committee, was held at the CSA Administration Building, Conference Room, 175 Greenwood Drive, Hilton Head Island, SC 29928.

Roll Call

Present:	Carolyn Adams	David Borghesi	Lee McCollum
Lisa Laudermilch	Ray Warco	Lisa Laudermilch	Stu Rodman
Richard Speer	Michael Tucker	Rich Speer	
Absent:	John Farrenkopf	Larry Movshin	John McEnergy
	David Herskovits		
Ex-Officio:	Mark Griffith		
Staff:	Bret Martin	Victoria Shanahan	Hayes Williams
	David Henderson	Russell Fredericks	Toby McSwain
	Tracey McNeill		
Via Phone:	Lee Ann Leahy		

Call to Order

The meeting was called to order by David Borghesi, Chair, at 9:00 a.m., Eastern Time.

Ratify Approval of the March 20, 2018, Meeting Minutes

The March 20, 2018, Finance Committee meeting minutes were approved by email. Richard Speer made the following motion, seconded by Lee McCollum and unanimously carried.

“RESOLVED, the Community Services Associates, Inc., Finance Committee, approved the minutes of the March 20, 2018, meeting, as finalized by email”.

Financial Update

Acceptance of Unaudited YTD/ March 2018 Financial Statements – Victoria Shanahan

The balance sheet as of March 31, 2018 was reviewed. Total assets on an accrual basis, are \$24,218,718 a decrease of \$891,591 over the same period last year. Fund balance was \$22,319,502 an increase of \$120,214 over the same period last year.

- At the March 27, 2018 CSA Board of Directors meeting, the Board amended the 2018 budget to include \$536,380 of deferred MR&R and capital expenditures from 2017 as well as \$112,500 for additional projects

- Ms. Shanahan noted that a new column, Unspent was added to the Capital Expenditures & MR&R list. This was added to differentiate between a budget variance based on actual savings/overage and funds available due to projects/purchase incompleteness.
- The cash and cash equivalents balance includes an amount reserved for the purchase of 14 Greenwood Drive. The closing is scheduled to take place on May 16, 2018.
- Funds collected from the Hurricane Matthew Special Assessment but were unspent as of March 31, 2018 amounted to \$1,388,884. Those funds have been invested separately with the investment income offsetting the expenditures. The fair market value of these investments was \$1,352,457.

The income statement, as of January 1 through March 31, 2018, was reviewed. Actual revenues over expenditures are \$5,258,295, compared to budgeted \$4,472,797, resulting in a positive variance to budget of \$785,498.

A motion was made by Carolyn Adams to accept the unaudited YTD/March 2018 financial statements as submitted. The motion was seconded by Ray Warco and unanimously carried.

“RESOLVED, the Community Services Associates, Inc., Finance Committee, accepted the unaudited YTD March 2018 financial statements, as submitted”.

New Business

- **Beach Patrol** – Toby McSwain

Mr. McSwain reported to the Committee that in the past the Beaufort County Sheriff’s Office (“BCSO”) has patrolled and responded to calls for service on the beach in Sea Pines. This has recently changed since BCSO does not have sufficient staffing. Sea Pines Security will now respond to those calls. Mr. McSwain requested to purchase 2 vehicles and 1 full time and 1 part time patrol officer to patrol and respond to calls on the beach. Of the 4 vehicles reviewed the Committee recommended that Mr. McSwain choose between the 2 that were the least expensive and purchase 1 vehicle and hire 1 patrol officer.

A motion was made by Chair Borghesi recommend to the CSA Board to approve a budget amendment in the amount of \$70,000 to purchase 1 beach vehicle and hire 1 patrol officer. The motion was seconded by Richard Speer and unanimously carried.

“RESOLVED, the Community Services Associates, Inc., Finance Committee, recommends that the CSA Board approve the budget amendment in the amount of \$70,000 for the purchase of 1 beach vehicle and to hire 1 patrol officer for beach patrol duties”.

Receivables Collections - Victoria Shanahan

- Ms. Shanahan reported on assessment collection efforts by the Finance Department. As of January 31, 2018 the accounts receivable balance from assessments was \$1,463,334. By April 18 that balance had come down to \$437,262. At this time guest passcodes were suspended for property owners who had not paid their assessments. Between April 18 and May 14 approximately \$247,000 was collected bringing the accounts

receivable balance down to \$190,520. The Finance Committee recommends that passcodes for delinquent owners be suspended effective April 1 in following years.

Flood Insurance Discussion – Chair Borghesi

- Staff has received a proposal for flood insurance from a new carrier, Sterling Seacrest. This proposal includes \$250,000 for extra expense associated with a flooding event. NFP has also offered a proposal with similar coverage and premiums. The committee discussed the proposals and determined that they would prefer a higher deductible/lower premium policy and directed Mr. Martin and Ms. Shanahan to review the proposals and determine the most appropriate provider. The Finance Committee recommended that coverage be obtained at the higher values and higher deductibles.

Investment Activity – Chair Borghesi

- As required by the investment policy, our portfolio is to be evaluated three times per year in conjunction with meetings of the committee and CSA board. Chair Borghesi reviewed in detail our investment holdings as of April 30, 2018. Investments, as reported in the balance sheet, should be viewed in three categories: short term investments of 2018 assessments that mature in 2018 for operating costs, short term investments of special assessment receipts in excess of aggregate expenditures, and our core investments that support capital replacements and emergency reserves. The analysis was focused on core investments and pertain to two measures: credit quality of the issue for securities that mature beyond the current year (2018), and the concentration of investments in single issuers.

With respect to the measure of portfolio quality, we have 7 issuers with a BBB and BBB+ S&P ratings that have an aggregate par value of \$1,720,000 for maturities beyond 2018. This amount is 19.9% of total core investment par value of \$8,643,000. The policy call for a maximum of 20% and therefore we are currently in compliance with the policy.

The policy of concentration was recently changed from 10% to 5% for any one issuer of the total portfolio value. The total core par value of portfolio investments (including those with 2018 maturity dates) is \$9,627,000. We have 2 issuers with concentration greater than 5%, Prudential (at 7.3%) and Morgan Stanley (at 6.7%). However, for both these issuers, significant individual bonds will mature in 2018 and by year end, the concentration will fall below the 5% threshold.

Given the transition to the revised policy, the recommendation is that no action be taken with respect to the core portfolio at this time. The committee agreed with this recommendation.

Otter Road Channel Study- Special Assessment Funds – Russell Fredericks

- Mr. Fredericks addressed the Committee on the issue of storm water erosion in a channel near Otter Road. This erosion is due to a combination of Hurricane Matthew and original design issues. The Town is aware of but will not address the issue, as the water continues to flow through. The Committee decided that this is not a Special

Assessment issue and that CSA does not have the funds to proceed with the project at this time, but recommended Mr. Fredericks to obtain a cost estimate for an engineering analysis for proposed solutions.

Unfinished Business

Status of Real Estate Acquisition – Bret Martin

- Mr. Martin reported that the closing is scheduled for May 16, 2018.

Status of 2017 Independent Audit – Victoria Shanahan

- The 2017 independent audit is complete and no discrepancies were found and no proposed adjustments were recommended. The only adjustments pertained to conversion of reporting investment income to OCI, which is done once at year end, as there is no net effect of this adjustment on reported results of operations.

Deer Island Bridge Repair – Russell Fredericks

- Mr. Fredericks reported on the repair of the Deer Island Bridge. The total cost is \$376,582 and will extend the life of the bridge by 10 years. \$100,000 is already in the budget for this year with the remaining funds coming from reserves. Work will start in the fall and take approximately 3 months.

A motion was made by Lee McCollum recommend to the CSA Board to approve the budget amendment in the amount of \$276,000 for the repair of the Deer Island Bridge. The motion was seconded by Richard Speer and unanimously carried.

“RESOLVED, the Community Services Associates, Inc., Finance Committee, recommends that the CSA Board approve the budget amendment in the amount of \$276,000 for the repair of the Deer Island Bridge”.

Adjournment

A motion was made by Carolyn Adams to adjourn the meeting. The motion was seconded by Lee McCollum and unanimously carried.

With no further business to come before the Committee, Chair Borghesi adjourned the meeting at 10:30 a.m. The next scheduled meeting, of the CSA Inc., Finance Committee, is Tuesday, September 18, 2018, 9:00 a.m., at the CSA Administration Building.

Respectfully Submitted,


David Borghesi
Chair