

SICO President's Letter  
Winter 2023

I hope everyone is enjoying a safe, healthy, and happy winter while getting ready for another season on MacMahan. I take this opportunity to provide a few updates on MacMahan before the season start up activities begin next month.

First, an update on the past season and winter. The power was shut off as planned in early December, and while there have been a few storms with high winds, Chris reports the island has fared relatively well so far. The community was again generous in their response to the Christmas Bonus fund request, and the staff sends their thanks to all of you for your generosity and appreciation.

While it appears the 2022 season will end well financially thanks to the adjustments we made earlier in the season and the increased productivity of a younger workforce, the Finance Committee and Board spent a fair amount of time this Fall reviewing the economic climate and what it means for SICO and the island going forward. As we discussed at both the Annual Meeting in August and through updates throughout the fall, we established two new committees to explore and address different aspects of this:

- The HR / Compensation committee was established to review current personnel policies, practice and structure, especially with respect to the approach to HR/ compensation and personnel management and planning. This committee sits under the Finance committee but has on it several members or the community who work in the HR profession.
- The Renter's committee was established to ensure we have resources to share with renters about life on MacMahan and what they should expect during their stay on island. An additional goal is to ensure that it is understood that staff time spent supporting renters and their requests/ needs is reflected in the revenue collected. This committee has both Islanders who rent their cottages, those who came to the island as renters, and non-renters participating.

You will recall we discussed both in our letters and meetings last season the impact inflation had on fuel and material costs this past year. While inflation is slowing, it remains above 6% (6.4% in January) and we can expect this to persist into next season. In this context, as part of the committee and board work, we executed a benchmarking and review of our cost and revenue structure. For years neither have fully kept track with inflation; most notably the 'dollar value' of the assessment has deteriorated and wages have not kept pace with the local market. As a reminder, the assessment has only increased \$150 since 2012.

While making a profit has never been the goal of SICO, rather we strive for financial sustainability; ensuring we have the means to deliver services efficiently and effectively to the Island is critical. Through the benchmarking process, we validated that the characteristics of MacMahan are quite unique and unlike other island communities, ranging from the specialized services we provide the community and can support internally – from marine mechanic labor, water works and sewage, to the ferry services and contract labor options. Both the recruitment of new staff and our multi-pronged benchmarking highlighted the necessity to make wage adjustments for our personnel. The compensation committee will be instituting regular reviews - every few years going forward - to ensure that we pay fair wages, and we must recognize there may be a point in the future where we won't have a superintendent with as many multi-faceted skills as the current one. (While we expect that day to be a long way off, the new HR/ Compensation committee has within its remit succession planning when appropriate.)

The companion benchmarking we did on Island services is attached below. In summary, we found we are significantly below market in nearly all services, and we also have cases where we don't collect fees, or cover costs incurred. While we do not plan to bring any service fees up to market levels, we can use this information to know that we have top line potential to support our cost structure in future years if/ as needed.

**We have been steadfast in the past few years in trying to keep our assessment and fees low. Ultimately this has put us out of step with real costs. As such, the Board has approved an adjustment to the assessment of \$400, bringing it to \$2600 for 2023.** The board felt this appropriate given the real dollar erosion in the fee over the years, and the increase in structural costs not tied to specific services.

While the budget will not be approved until the May meeting, the board has also endorsed updates to the fee schedule to ensure underlying costs for those are also better covered – while noting they will still be under market to comparable services in the area. These are also provided in the attached schedule for awareness. The approach taken was to focus on those areas most under market, and/ or not recently adjusted. The majority of the impact to the budget will be in marine and related fees.

The board recognizes the desire to keep fees low and the island accessible to all. We hope these measured steps have done that in a way that balances economic realities with fiscal responsibility. We will continue to monitor results closely and make further adjustments only when necessary. I certainly welcome any questions you might have about these changes.

I have two last items for your awareness/ consideration. First, I have established a new email address for use by the SICO President. This address can be passed on to successive presidents and will help us create communication continuity across Board leadership changes. The email address is [sico.president@macmahan.com](mailto:sico.president@macmahan.com). In the near term, please also use the prior communicated email addresses for me (and the board), but I will plan to use / copy this email address for those items where awareness should carry forward beyond my term. Chris will also be using as the contact for insurance and other SICO business matters as appropriate.

Finally, I have noticed limited participation by members in our in-season meetings in May, July, and August. These are great forums for discussing issues, opportunities and learning about plans for the island. If you don't participate and would like to share reasons why and/ or ideas to make them more valuable, please feel free to reach out to me to discuss as well. As with the past few years, we expect there to continue to be items that require member discussion, and we need to ensure we have effective communication vehicles.

I hope the last few weeks of winter pass without incident and look forward to seeing you on the island soon.

Respectfully,

Susan Wise  
SICO President