Comments on YTD Actual & 2020 Budget

Description

By **Lloyd Sherman**, November 19, 2019

YTD Financials

Not much to report on the release of this month's financials as tracking seems to indicate we will end the year in about the same condition that has been reported for months now.

- Overall, we will miss the 2019 projected gross revenue by approximately $2 million.
- Bad debt expense has increased by nearly $1 million over projections and previous experience levels.
- At the net revenue line, this equates to having missed our budget by $3 million.
- The good news is that expenses were kept in line with the projected revenue line and they were controlled in the amount of approximately $3.1 million.

2020 Budget Process

Many are probably aware that next year's budget took five (5) versions to get to a point where the board would approve it.

Overall my expectations for the results of the process were a bit disappointing. Not because the board didn't work diligently to put a reasonable budget in place, but because we were anticipating changes in the reporting structure of monthly budget accounting that would ensure property owners better understood the information they were being provided. That did not take place and all we can do is hope more progress will be made on this next year.

Looking at the **2020 budget** at a high level we see:

- Gross revenues are stated at approximately $2.1 million more than what will be achieved in 2019.
- They did account for the increased bad debt expense and it properly projected at $4 million next year.
- Operational expenses are reflecting about a $1 million increase in 2020 over what will be experienced in 2019.

Observations and Issues to Follow

- An item that has been a concern of mine for an extended period of time now is that of Cash and Cash Equivalents. I couldn't help but notice this month's financials reflect our operating cash at $478,643. Down from last year at this same time by nearly $2 million. Some of that was transferred to reserve accounts but our overall cash equivalent accounts are down $800K from where they were at this same time last year.
- Salaries continue to escalate and based on a report I recently read; they are up significantly from where they were three years ago. The 2020 Compensation category is budgeted at $17,627,094. Gross billed assessments and penalties are budgeted at $18,894,691 and when you account for bad debt, the net is $14,933,817. That means compensation represents 118% of assessments collected.
- Budget discussions were virtually absent on how to increase the revenue streams or consideration for cost-cutting measures.
- Virtually any increase in revenue will come from increases in fees.
- While we talk about the need for increased rooftops, increasing fees by nearly $3K on builders may have a negative impact on that market segment.
- Golf will continue to be the wild card for 2020 and the current budget calls for an increase in golf revenues of $500K over what was experienced in 2019. The success of that number may rely on how the $2.50 surcharge goes over. The last time fees went up, golf rounds went down.

Overall the 2020 budget appears to have a potential of being more accurate at the bottom, however many of the above items could impact the results and we do currently reflect we are going to drop an additional $1.2 million excess over 2019, so let's all hope that plan is successful.

HSV 2020 Budget Comparison through 10 months

2020-Budget-ComparisonThru10Months
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Date Created
11/19/2019
Author
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