



## HSVPOA F & P Committee Mtg 4-11-22

### Description

#### HSVPOA F & P Committee Began Review of O and M Tables – April 11, 2022

The Finance and Planning (F and P) Committee used part of the April 11 afternoon to begin examining Operation and Maintenance Tables. Other topics of discussion were the self-sufficiency of recreation amenities – in other words, how much do we subsidize the different facilities, budget guidance to staff, and investment policy adjustments.

The following committee members were present at the meeting: Larry Siener, Chair; Tom Heau, Vice-chair; Jeffrey Lofgren; Beckie De Young. Staff present were: Kelly Hale, General Manager, Karl Russ, Controller, and Gary Belair, Board Director.

#### Administrative/Action Items

The Committee began the meeting by checking off some action items. The Committee is looking to fill two open seats. If you are interested in applying, click [here](#) to find a standing committee application. Former Secretary, Cathie Moeller's time was up on the committee so Tom Heau will take care of the meeting minutes until the secretary position can be filled.

The wrong start time for the meeting was published before the last meeting, but this has now been corrected.

Siener said, that the committee still needs a statement regarding FDIC Insurance Limits.

Siener continued, “We [previously] talked about asking the folks in the community for anyone who has experience in what Committee Member Ford called ‘the Treasury Function’, in a corporation – essentially one of those people that looks at how to best invest the available funds of a company to get a reasonable rate of return and still properly protect those investments.” Siener said he needed clarification from the controller as to what experience is needed to fill this role. “I’d really like to get that rolling as rapidly as we can.”

### **Initial Review of Some Operations and Maintenance Tables (OMTs)**

The OMTs are a rolling seven-year plan for Hot Springs Village. Staff constructs an OMT every year for each department and IT was the department discussed at the April 11 meeting.

Projecting the IT Department’s OMT for the upcoming year on the screen, Controller Russ said that although this OMT is in the final stage of completion, we still have more work to do. The committee discussed the different items on the table.

Hale said he has removed items from the OMT that he did not think the Department Managers could justify. Also, some items cannot be purchased because of supply chain issues. Some items were slated for purchase in ’23, and ’24 and we are buying them now while they are available. In other words, “there’s some jockeying of items based upon the supply chain.”

Lofgren said that he would hope that if we do move something from ’23 up to ’22 because we need the item sooner, there is some mechanism in the OMT to notate a change was made. Doing this will aid us in tracking items. Russ said they could make a remark on the table to explain why they moved or removed something.

Hale said, “I can’t run a business where you don’t have a locked-down budget. I am used to budgets that are locked down in the fourth quarter of the year before.”

Siener expressed, “The people running the business are Karl [Russ] and Kelly [Hale].” The committee is not the one making the day-to-day decisions and they should adapt to what management needs.

Russ explained that just because it [something] is in the budget, we are still going to look at every item and determine if we really need something. “Do we really need that today or are there other ways of doing it?”

Hale shared, “I will say this about the management of the POA, they are catching on very quickly. Budgets are to be beaten. I give you X dollars and I expect you to come in way under the plan. Do it with what you got. They are getting really good at that.”

Siener told Hale that the committee’s objective is to help. “If there are things we can help you with, let us.”

Russ said there would be a couple of more departments with OMTs ready for the committee to review at the next F and P meeting.

Siener said the 7-Year OMTs were generated last year for the first time and this year marks the first

time for staff to update the tables. “To be fair to the POA staff, this is the first time they have gone through the 7-year update cycle.”

## **Recreation Self-sufficiency by Department**

General Manager, Kelly Hale, asked the committee to take a look at how the various Recreation Division Departments are actually performing from a financial standpoint.

The committee created a chart that showed various data for the different recreational amenities so that Hale can “start having the conversation with the folks who operate these various venues – so they understand the true costs.”

Siener said, “the vast majority of our recreation venues are not going to be self-sufficient. We already recognize that. We have to provide some level of subsidy. The question Kelly [Hale] was hoping to get data for is, ‘what degree of subsidy is being provided to the various departments and what is kind of the roll-up?’”

Siener stated, In 2021 we took in about \$943,000 in income in the Recreation Department. We spent about \$2.8 Million. Basically, we took in about just under 31% of the total revenue we expended in recreation support.”

“The RV made about \$12,000 net last year and the Dog Park made about \$1,000 net last year.”

“The outdoor pool generated about 13% of the revenue that it actually consumed. A lot of the expense here associated with the outdoor pool was lifeguards. At the end of last year, something happened that actually caused us to make a change of approach. Most of the lifeguards were high school and college students. They had to go back to school about three to four weeks before the pool closed for the season so we didn’t have lifeguard coverage. That caused a little bit of consternation in POA leadership. Caused us to go back to the lawyers and say, ‘Are we in any kind of a liability situation because we don’t have lifeguards?’”

The lawyers recommended not having lifeguards. “If we have lifeguards on duty and something happened we have a much better chance of being sued than if we didn’t. “Swim at your own risk.”

In 2022 the overhead for the recreation amenities went up. Siener said, “I can’t say as I know why.” Siener said although he doesn’t know for certain, this may have been because of unfilled staff positions in 2021, which were filled in 2022.

Siener said that once the departments gain a little better understanding of their numbers, they will understand what they can do from both an income and expense standpoint to be able to improve those values. Siener explained, “In some cases, there is some flexibility. In some cases, there may not be. I’ll use the Fitness Center as a good example of one that probably doesn’t have a whole lot of flexibility. Our price point for the Fitness Center is actually higher than going down to one of the local fitness clubs in Hot Springs, by quite a bit. People will join the Fitness Center here because that way they don’t have to drive all the way to Hot Springs.”

Siener continued, “We really don’t have a lot of price flexibility there. We can’t raise prices there without cannibalizing our own business. What can we do to encourage more people to use the Fitness

Center? We have to start thinking much more creatively as to what we can do from a revenue standpoint. The other thing we have to look at is the expense line. Are there things we can do from an expense standpoint that would cost less to run the place?"

Siener stated, "Different venues are going to have to be supported to different degrees. That is not necessarily a bad thing; in fact, that should be expected. The hope is that we can do the maximum amount we can to main a degree of self-sufficiency across these venues." Any money not expended on recreational facilities is money available to spend somewhere else." Unspent money can be used to pay for a new waterline, culvert repair, crack sealing on roads, etc. "At the end of the day, it is all money and it all spends. If we don't spend it here, there are plenty of other opportunities."

Lofgren said that the POA cannot control the expenditures on some things. "There are certain things that are fixed expenses and there are certain things that are variable expenses."

Lofgren added that some of these areas get donations. Some don't. Is that something that we would like to emphasize? In other words, "if someone would like to donate, we would be more than happy to take funds through donations to help out the various recreational activities."

"With some of the facilities like the Woodlands, Villagers contribute to the revenue when they rent them.

De Young said that sometimes people think they are paying a lot to use an amenity, "but guess what, your neighbor is subsidizing it..." She feels this information should be shared with the membership.

De Young said she looks at it like this – she bought into a package. She expects the amenities to be there, even if she doesn't use some of them and has to subsidize them.

Siener said that in 2021, Golf was about 94 percent self-sustained. "We had a very good year last year. I don't think 94% self-sufficient is the rule. I think that it is a bit of an exception. "This year based on the 2022 budget, I think it is more like 84 or 85 percent self-sufficient."

Because of the rise in the price of fertilizer, we will most likely see our costs escalate in the Golf Department.

## **2022 Budget Guidance**

"As the Finance and Planning Committee, we have the ability to produce budget guidance," explained Siener. "The reality is the staff has to understand what is happening to them and they are much, much closer to it than we are."

Siener stated, "Rather than us [The F and P Committee] try to create a bunch of stuff in a vacuum, I'd really like to partner [with] Karl and Kelly and the senior staff and understand what that budgeting guidance looks like."

Lofgren suggested that the committee needs to know when guidance is needed. Heau said the guidance should be issued before July 1.

"When the flag drops on the first of July for everybody [staff] to put together their budgets, that's when the department heads are going to need that guidance to be able to put pen to paper or fingers to

keyboard, as the case may be,” added Siener.

## Investment Policy Adjustments

Siener said, “The current investment policies are pretty thorough; pretty open-ended. They contain commonsense guidance on what to do and not do. For example, they suggest you don’t trade in derivatives. You don’t do high-risk investment decisions.”

Siener said once we understand how to get a better return on our Emergency Reserve Funds, “we will probably have to go back and take another look at the investment policies and make sure that we didn’t inadvertently violate any guidance in the policy document and see if there any adjustments that need to be made to that document.

Heau said we have three priorities: safety, liquidity, and return. I would just suggest we define liquidity a little bit more finely, and not by much. The two aspects of liquidity are generally, ‘can you sell the instrument at fair value, quickly. The other is generally are your investments matched to your liabilities?’”

Heau continued, “There is nothing in the Investment Policy about reporting. We have a bunch of investments. It would be nice to disclose what they are.”

Heau finished, “We’ve had a relationship with Regions like forever and it just seems to me that every once in a blue moon, we should do an RFP process and see what other people can provide us.”

## Agenda for April 11, 2022 Finance and Planning Committee Meeting

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Cheryl Dowden, Hot Springs Village Digest, April 15, 2022

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