HSVPOA PPP Update at Board Retreat

Description

Interim General Manager, John Paul, and Controller, Coreena Fetterhoff, gave presentations on the Payroll Protection Program (PPP) grant/loan at the 2021 Board Retreat. This was a grant/loan from the SBA in the amount of 3.1 million dollars and is expected to be forgiven. Originally, the POA thought forgiveness would have happened much sooner, but now the POA doesn't know when that will happen. If for some unforeseen reason the grant/loan is not forgiven, we will have to pay the money back to the SBA. **Here is a link to an article about this grant/loan.**

GM Paul said this 3.1 million dollars loan/grant will be forgiven at some point. Paul said he "wanted to get out ahead of that" and explain what he feels we need right now.

Director Omohundro said, "the 3.3 million, we have a lot of money we've actually saved and we made, if you will, so the 3.3 million that we borrowed, we didn't spend all of it. I guess we did. But we didn't. We did spend it all, but we were still gaining money over here. So my point is, this 3 million didn't necessarily get spent. We actually have a lot of that money left on top of what we…not that money, we have a lot of money left. We have a lot more money today than we had a year ago, not counting the PPP loan."

The GM said the PPP loan/grant was spent on payroll.

Projects Suggested by GM

Paul said, the problems we need to attack right now are:

- $519,000 is being requested for repair of the worst roads.
- $200,000 is proposed for road striping.
- FRATF would love for us to forensically map the roads. This is a planning tool used to map needed road repairs and prioritize repairs. Jason Temple, Director of Public Services, said, "picture a van with a lot of cameras tied to your GIS system and the GPS system. They drive

down the road and by video and radar, map our roads. They can detect the quality of our pavement to a certain depth. They can locate every pothole, every crack.” This data can be seen on a map and will give us a complete listing and inventory of our roads in such a way that we will know every detail. This will give the POA a complete handle on everything that is going on with the roads. Temple said it would be good to do this every five or ten years. This work would be contracted and then we could load the information into our GIS system and we will also be able to see the information in a spreadsheet. Jason mentioned two amounts $130,000 and $150,000 and said this is “pennies on the dollar as far as strategic information we can use to plan with for the next ten years.” The culverts are already entered into the GIS system. This new information would “go right on top of it.” A bad culvert and bad road would be combined into one project.

- Balboa Club renovation for $291,000

The staff is going to ask this year for $1,137,704. “This would let almost 2 million go back into reserve funds,” stated John Paul.

The GM said the staff thinks that Balboa is the worst thing we’ve got right now, that building. That can be revived. We could doze it. Then what do you do? You’ve got to do something. We’ve been talking about this for 15 years. It is time to do something with that building.”

Stephanie says it costs to raze a building. We have those costs as well. It would take $150,000 to $160,000 just to take it to the ground.

“On the large deferred maintenance items we have on the books, Balboa Club is significant, right there with the roads,” Stephanie said.

Jason Temple said he agrees with the list. “These are all things that we use and see every day and we have to maintain them before you lose it too far,” said Jason.

Fetterhoff said, “this brings to light that there are areas across the spectrum in the organization that are behind.”

Overview of Funds by Coreena Fetterhoff

“We have been in communications within the last couple of weeks with the SBA, getting them some of the documentation they have requested again. In regard to us spending all the funds, yes. All of the funds that were received, have been spent. The amount that was allocated to us was based upon expenses that we normally have,” stated the Controller.

All the expectations were met. Coreena said, “on top of the fact that the PPP loan/grant was kind of a ‘money in our pocket’ situation, we did better than expected for 2020. We did a very good job of trying to counteract our reduction in income with a reduction in our expenses. So what I am fixing to present to you guys is a combination.”

“Each year after the audit is complete and the prior year’s financials are wrapped up, there is a reconciliation that is done and presented to the Board. Typically these things are voted on at the April Board Meeting. Due to the PPP and not having that forgiveness yet, we decided to hold off, hoping we’d get an answer, which is why you haven’t been presented with it yet. It will be presented at this coming Board Meeting, I believe to be voted on," explained Coreena.

"What this does, is it's saying okay at the end of the year after everything's come in, everything's gone out, how much money was left over. Being a non-profit, we don't have your typical retained earnings. We have to allocate all of our earnings and assign them somewhere."

"All of that being said, this is the sheet you guys typically receive that has all of the information that comes in with those numbers. The sheet that is right in front of it, all I did was try to summarize it a little bit more. You'll notice about halfway down each section, you'll have an available amount."

"This is taking into account what we had budgeted for utility reserves, nonutility reserves, based upon our five-year plan that was set, I believe back in 2016, along with our budgeted rollover amount for the P.O. that was issued for streets, $500,000. Only half of that was completed in 2020. We have the other half to complete for 2021. It is taking into account those items along with a few other capital rollover requests. I want you guys to understand. These are not the typical capital roll over you guys are used to seeing where you had a long list of projects that they just didn't get to and they want to be able to put them for next year."

"These are projects we are already obligated to. A P.O. had been issued, we just have not received the product yet. These are our carry-over obligations. Those are actually only for utilities for 2020 and you will see that is the total of the $99,388. I am a little across the board. I apologize."

"All that being said, with allocating everything that is left, our non-utilities, we had $3,476,841. Along with the proposal for the road repair, the striping, forensic mapping and club renovations, we are also proposing 1.5 million to be set aside for general capital. This is what was proposed in the 2021 budget, when we presented that. It is to set up these new funds so that we are actually truly setting aside funds for our capital expenses, but is not mixed in our regular operating expenses."

Chair Corry said, "perfect. So that will show up from now on?"

Coreen said, "yes. We actually want to create a separate account, put the money in and then start to build our capital plans around what we have instead of spending it before we really get it."

"If we were to do that, and combine that with the $920,000 that is remaining from the escrow funds, we would still have $835,696 remaining on the non-utility side for the Board to designate for future projects."

On the utility side, we have some carry over earnings from prior years because our utilities are supposed to be self-funding. Those are taken into account, along with the $420,000 that they earned for 2020. We're budgeted to put $308,828 into the utility reserve and then they'd have the $99,000 for the carry-over capital allocations."

"Leaving utilities with $666,000, which we would like to set aside for a public utility capital account. We would still have public utilities and non-utilities. They are not the true reserve accounts as you guys can see on the third page, which has what we've already got in play in the last several years. These are more designated accounts so we're not putting the cart before the horse."

"That still allows us to have roughly 3.8 million dollars left in the bank, according to end-of-year balance. That includes the PPP funds, but backing all of this stuff out, that's where you get the 3.8. Our PPP was almost 3.1. That is about $700,000 with out the PPP."

"I wanted to go ahead and include our 2021 year-end budget figures in here so that your guys can kind of see how it rolls in through the next year and what we had in the budget for reserves from there."

"I wanted to highlight this because I know you operate with a cash basis and you operate with a accrual basis. Accounting operates in the accrual world. So that means, I might still have the $100 in my pocket, but I know my utility bill is due next week. So I am going to factor in, 'I've got to pay that bill.'"

"So I wanted to show you guys, we still need to have cash flow in order to fund these things. So trying to correlate the difference for you guys to see. We still have cash, even though we are still moving some funds."

"While it is proposed up here, these items are for the PPP funds. They actually do not have to be tied to the PPP. We will still have that 3 million, once that is forgiven because we have to allocate everything from 2020. We have to assign it somewhere. So we are able to complete this, that's up on the board, without getting into the PPP funds."

It was clarified that the PPP was used for payroll and utilities and is not being spent on anything else.

Coreena said there was an additional questionnaire from the SBA for the companies that received more than two million dollars. We were given ten days in which to respond to the questionnaire. This involved verification of how the money was spent. Fetterhoff said, "I guarantee you, we are not the only company that benefitted from some of the COVID effects. There are other industries that picked up. Golf is a good example. We are not the only golf course. A lot of that verification was from when we went into the situation, what did it look like?"

"I just wanted to point that out…we still have to allocate our 2020. We can cover it. If we continue to do well, which I expect we will. We run a pretty tight ship. We will still have the funds to do everything we set out for 2021," explained Coreena.

"The third page that was included, the reserve plan, I just wanted to give you guys a view of where we were at. If you notice the public utility payment is on there. That is not actually moving funds from one account to another. That is an inner company relationship and so what we've done for 2020 is, we're actually doing the full million. We're going to go ahead and get that done and over with. Right now, you guys see the $666,000 for utilities being left over. You're going to see…if everything went exactly the same, you'd see 1.6 million next year for utilities, to have left over. I just kind of wanted to show you guys where we were at with a correlation with our reserve accounts, as well," stated Coreena.

GM Paul said, "we've done a really good job of cutting expenses and saving money around here. It is not sustainable. It is not sustainable. We're lucky to be where we are, and we were helped out by the pandemic in certain areas and in certain areas, it's been a struggle. But we'll continue to be as frugal as we possibly can. I am going to compliment Coreena and the rest of the accounting staff. They look after this every day. We question everything we do. Just like what Paul [Moore] was talking about in cell phones alone. We are looking at every single thing we do in here, like it is our money and that is the way we've got to look at it."

Chair Corry said, "it is our money."

Fetterhoff said, "the PPP has really saved us, in that respect. It's given us the ability to set up some of these accounts, if we want to. But we also need to realize, this is a set-up amount. This is not an amount we are going to be getting every year and so part of this is controlling our expenses and being smarter….dropping our expenses so significantly in the last year. Some of it is warranted, simply because you didn't have the demand for some of the items."

Director Omohundro said, "we put stuff off that we need to do, too."

Fetterhoff said, "it is not sustainable. But this allows us to get a starting point and if we can show that we are going to be better and smarter about how we utilize our dollar and our buying power, it is going to get us in the right direction. But it is not sustainable to stay at a two million dollar under on your expense side and not address the roads and the culverts and the IT and infrastructure and everything else that does need to be done. So this gives us our starting point and we will build a plan to carry us in the future from there."

By Cheryl Dowden, May 18, 2021

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lynn