



Whither Hot Springs Village Now?

Description

By [Andy Kramek](#), April 5, 2020

I think that most people would agree that the Hot Springs Village is officially “in crisis mode” now, along with the vast majority of the rest of the country. The question is less about what we are going to do about the shortage of toilet paper, or lysol, and more about how is the Village itself going to avoid bankruptcy?

The reality is that “assessments and penalties” comprise just about half of the total revenue for the POA, and ALL of its “guaranteed” income. Everything else comes from variable sources – service charges, permits, and usage fees. The 2020 Budget projects assessment revenue to be just under \$19million. However, when you take into account the \$4 Million bad debt provision, the net income is only going to be about \$15 Million. The same budget shows compensation at over \$17 Million! So, even before we start, all assessment income has to go to fund the POA compensation bill – and even that will not be enough.

Enter the CoronaVirus! [What impact is that going to have on POA Finances, and the village?](#)

The most immediate, and most obvious, effect is that it is going to hit the variable income stream hard. The POA restaurants are closed, as are all other fee-generating amenities with the exception of golf (which is not a net contributor anyway, as its costs far outweigh any income it generates). However, not only are the POA amenities closed, but other income sources are being directly affected. The Governor of Arkansas has just imposed a ban on renting accommodation to out of state visitors, other states have implemented stay-at-home orders with varying degrees of severity but all essentially prohibit non-essential travel (i.e. travel for leisure purposes). There are a large number of rental properties in HSV whose owners depend, to a greater or lesser extent, on the income from them that has just dried up. Not to mention that those erstwhile visitors were themselves an additional source of income for the village amenities.

So what conclusions can we draw? It is too early to predict the exact result but even when things return to something approaching normal it is going to take time before leisure pursuits recover. So it is clear

that the POA's 2020 Budget projections for income are going to fall woefully short.

Now the question is what is the POA Management doing to prevent what could easily become a financial disaster for the Village? The one thing we cannot afford to do is to shutter ongoing maintenance and day to day operations. Once you start doing that not only do you allow infrastructure to deteriorate at an increasing rate but you also lose your experienced workforce. We have to keep our staff on the payroll somehow and ensure that the essential functions of the village are not interrupted.

So, what else can we do? I don't pretend to know all the answers, but one obvious question, given the high percentage of income that is being spent on compensation, is what are the senior management personnel doing to help out. Many CEOs of companies are foregoing their salaries right now, is ours? What about all of these other senior management positions (each drawing in excess of \$150k per annum with salary and benefits) are they really needed given that we are essentially shut down now and for the foreseeable future?

- * Chief Member Experience Officer
- * Director of Real Estate and Land Services
- * Director of Placemaking and Development
- * Director of Agronomy
- * Director of Tourism and Community Affairs

Right there we save over three-quarters of a million dollars in compensation, and if CEO waives hers too we recover well over a million. Some may argue that a teacup of water doesn't have much impact, one way or the other when you are drowning. The other side of that coin is that we are not drowning YET. It is the tidal wave that is heading down the road that is going consume us and could, I firmly believe, bankrupt the village unless action is taken right NOW to significantly reduce operating costs over the next few months. Once things are back to "normal" we can re-visit the necessities but until then we have to put the brakes on spending and put them on hard.

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Date Created

04/05/2020

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