

# A New Plan

## Forward

*Knowingly or not, all humans follow a basic philosophy governing what they do and how they live their lives. Some refer to it as their 'moral compass'. Generally this philosophy is developed early in life and is hard to change. If this intrinsic guide or compass is pointing in the wrong direction bad things usually result.*

*Organizations also have a philosophy or set of customs, beliefs, and operational traits. Traditionally this has been referred to as a 'corporate culture'. The norm for modern corporations is to publically declare their philosophy which they now often call a 'Vision' or a 'Mission Statement'.*

*So long as times are good and profits roll in it's all good. But when times, markets or economics change corporate leaders look for new directions. Often they attempt to change or reset the 'Vision' or compass. This usually leads to problems.*

*In Hot Springs Village it appears that over the last several years our Board of Directors has been attempting to change the philosophy or 'moral compass' of the POA. By original definition the HSV-POA was created as an organization to serve and protect the Members and assets with a corresponding philosophy.*

*However it has become apparent that the philosophy presently in play is one of POA as a 'corporation' serving and protecting only itself. POA's 'Vision' is currently designed by and for only the 'corporation' and perhaps a select few individuals who stand to benefit in ways not readily apparent.*

*Before **A New Plan** or any plan can be implemented the HSV Board of Directors must change the philosophy back to it's original form and intent. The Hot Springs Village 'moral compass' must again find it's true North.*

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## Introduction

Many have said the Village cannot continue on its present financial path. They talk of deferred maintenance, lack of reserves and phony budgets. Most agree that we need more Property Owners to support our aging and massive infrastructure.

Many say we must increase our Assessments because they are below those of some other planned communities in other parts of the country. Others say our Assessments are already maxed out and inequitable between residents and non-residents.

Some say our Fees are cheap; that it is cheaper to golf here than many other places. Others observe that POA has been steadily increasing Fees on golf, other amenities and services for many years.

There are cries of mismanagement, lack of transparency and suspicions of malfeasance. Lawsuits are prevalent and spending appears rampant and unchecked. Rather than leadership we seem to have management by fiat.

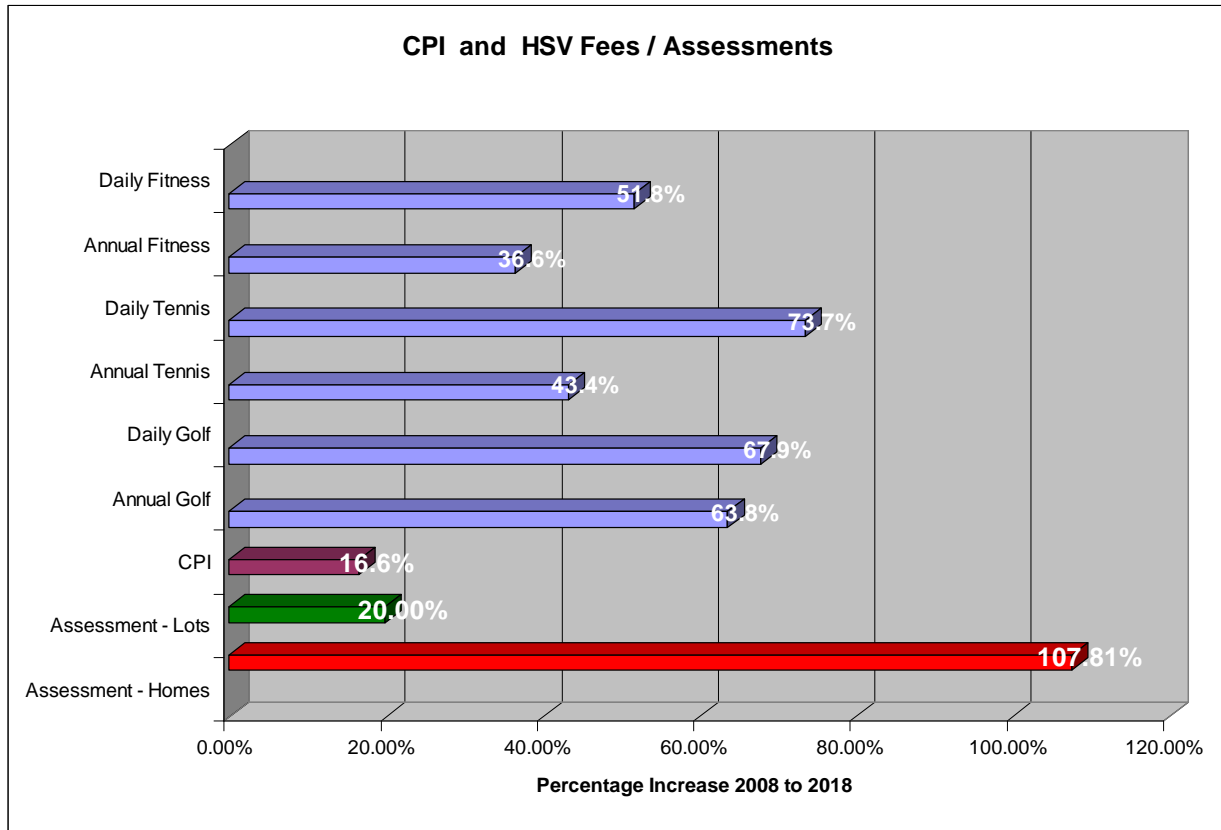
More Property Owners are very important and needed. But, it is going to take a long time to get enough additional lot owners or rooftops to move the needle. Since 2008 new home permits have been at a very low rate of only 50 or less homes per year.

Increased Assessments would be great except we are just three years after they were doubled (improved lots) with the Two Tier. We also just voted down a higher annual adjustment to Assessments last year. The present Village political climate will likely make Assessment increases virtually impossible, at least in the near term.

Higher Fees would also be nice if that were possible. Unfortunately, rising Fees over the last few years have resulted in steadily decreasing utilization rates for all our major amenities. Golf, Tennis, Fitness Center and Woodlands have all experienced either flat or sharply dropping participation. We cannot afford further erosion of amenity utilization.

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When we talk about Fees and Assessments it helps to visually display just what has happened over time. The following chart presents the percentage increases for the ten year period from 2008 thru 2018 along with the U.S. Consumer Price Index (All Urban Consumers) for the same period :



Obviously, Fees and Assessments have far outpaced the CPI.

So what's the solution? There is no one magic fix. What is needed is a multi pronged approach to solving our Village's problems, financial and otherwise. This is NOT a job for more officers, directors, consultants, committees and sub-committees. It is an obligation and responsibility squarely on the shoulders of the Board of Directors. They need **A New Plan** and they need to take back Leadership. They need to start NOW !!

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## Step One

**Stop the Bleeding.** This means immediately halting money losing ventures and practices which are costing us millions and will never be profitable. Three prime examples are:

**1. Village Land & Homes:** Why is POA competing with the Realtor® community serving the Village? There are multiple independent Realtor® offices and approximately 100 agents and brokers serving the Village. The Realtors® know how to sell homes and lots.

Why compete with Cooper Communities, Inc. (CCI) our Developer? CCI is our original and only Developer. CCI knows how to sell lots and homes and develop property. After all they built the place from scratch.

The POA has none of these skills. Development is **NOT** one of the POA's authorized duties according to The Declarations.

**2. Food and Beverage:** Our POA Food and Beverage operations have chronically and historically been money losing ventures. Why are we competing with the multitudes of outside restaurants within a 45 minute drive?

McDonald's is making a killing right outside the gate. Some independent restaurateurs are profitably operating several locations right inside the Village (perhaps because some have cheap leases from POA??).

POA operated ventures are simply not competitive. This is so even when they offer "free" (albeit, at a cost to all of us members) entertainment along with their food and drink. Some POA leaders justify continuing these restaurant operations because they claim we are losing less money today than we did some years ago - so that makes it OK. This is pure nonsense.

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**3. Legal Costs & Secrecy:** Something is seriously wrong when our leadership, with input from highly paid outside attorneys, continues to get itself into litigation battles, particularly those involving the withholding of information from Property Owners. It is especially of concern when the litigation comes from either our own Property Owners or CCI our Developer.

The most recent legal farce had POA contesting the Constitutionality of an Arkansas State Law so as to justify their 'secrecy' contentions. Really? The judge thought it was a joke and shot down their case along with their lawyer in his seersucker suit and orange tie.

Just think. We paid for this idiocy! Now it appears POA is trying to 'game' the judge's verdict by setting up new policies to defeat the intent of his ruling.

Even worse we recently learned that POA has received an attorney demand letter asserting that violations of Federal Anti-Trust laws may exist. Secrecy & litigation is not a 'corporate culture' our Members need, want or desire.

So, simply Stop the Bleeding. Neither Land & Homes nor Food and Beverage have any hope of ever being profitable or even coming close to breaking even. We do not need senseless competition, duplication of effort and continued losses. Litigation is always the most expensive and least cost effective way to do business. Only the lawyers win. None of these activities and practices make any sense and are costing us a fortune.

The solution: Close down or drastically curtail the money losing ventures; Settle the lawsuits and fire the stupid lawyers; End the secrecy.

**Do it - NOW !**

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## Step Two

**Trim the Sails and Jettison the Ballast.** The good ship Hot Springs Village is in danger of sinking. In order to save it we need a top to bottom reset of our command and operating structure. Begin by eliminating the many unnecessary Admirals and Captains on staff.

We don't need smooth talking leaders, slick titles, fancy power point presentations and a "CEO" kibbitzing on NextDoor to convince us the weather is fine. We all clearly see the typhoon raging toward our bow.

What we need are more working crew members - more Able Bodied Seamen and Sailors - the ones who actually swab the decks, mend the lines and maintain the engines. Our ship's Owners (The Members / Property Owners) need to better understand and be privy to how our ship and it's cargos (assets & amenities) are being navigated and at what costs - detailed costs.

Loose translation: Eliminate executives, directors, fancy titles (anyone think a CMEO is needed?), consultants, PR spin doctors, and so forth. Add, as required, those who actually produce, maintain and contribute at the working level. Reduce our overhead costs / Replace our management / Save our assets.

**S O S** Save Our Ship . Do it - **NOW !**

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## Step Three

**Stop Devaluing Membership Rights.** The Village and our Membership Rights and Privileges should be protected and treated as the valuable assets they are.

End the practice of allowing lot owners to assign (sell) their Member Privileges to others for a pittance. Assignment of Member Privileges to a long term (1 year or more) resident tenant should be the only possible exception.

Likewise, stop the POA from selling Membership Privileges for a token annual fee (\$500 or \$900 / Individual or Couple) *{2019 Fee Schedule}*. In other words stop selling out the whole place as a cheap club. Such current practices not only devalue the entire Village but they also discourage lot and home sales.

It has been said that the water in our lakes is "public" and therefore we cannot prohibit lake access to outsiders. Assuming this is true, the current practice of allowing anyone to bring a boat into the Village and onto our lakes for only a \$10 daily fee *{2019 Fee Schedule}* - on an honor system, no less - is ridiculous. Allowing any Non Property Owner a yearly or seven day pass for either \$125 or \$30 *{2019 Fee Schedule}* respectively is even worse.

The idea that anyone (non-members, visitors, local area outsiders or whomever) can just come in and use the lakes and other amenities whenever they want for free, for 'peanuts' or at our Member rates, is just plain stupid. We need to start charging visiting boaters and beach goers a very stiff, unavoidable (payable at the gate) per person fee for any access to our lakes and other amenities.

The gate debacle is ridiculous and continues on an every day basis. If virtually anyone can come in on a whim with no control . . . then what is the purpose of being a gated community? How about charging a \$5.00 daily 'entry fee' for every visitor other than the U.S. Postal Service? A simple

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entry charge for all visitors would help pay the cost of maintaining our roads and other infrastructure. Why not?

Think about it: Why would anyone want to buy and maintain a home or lot when they can just pay less (or nothing), with no ownership, no obligations, no dues and no property taxes? Why would they if they can come in whenever they wish and receive all of our Member benefits and privileges?

These practices give outsiders, particularly those in the immediate area, a huge discount and the Village gets little or nothing in return.

None of these long standing practices make any sense.

Stop them - **NOW !**



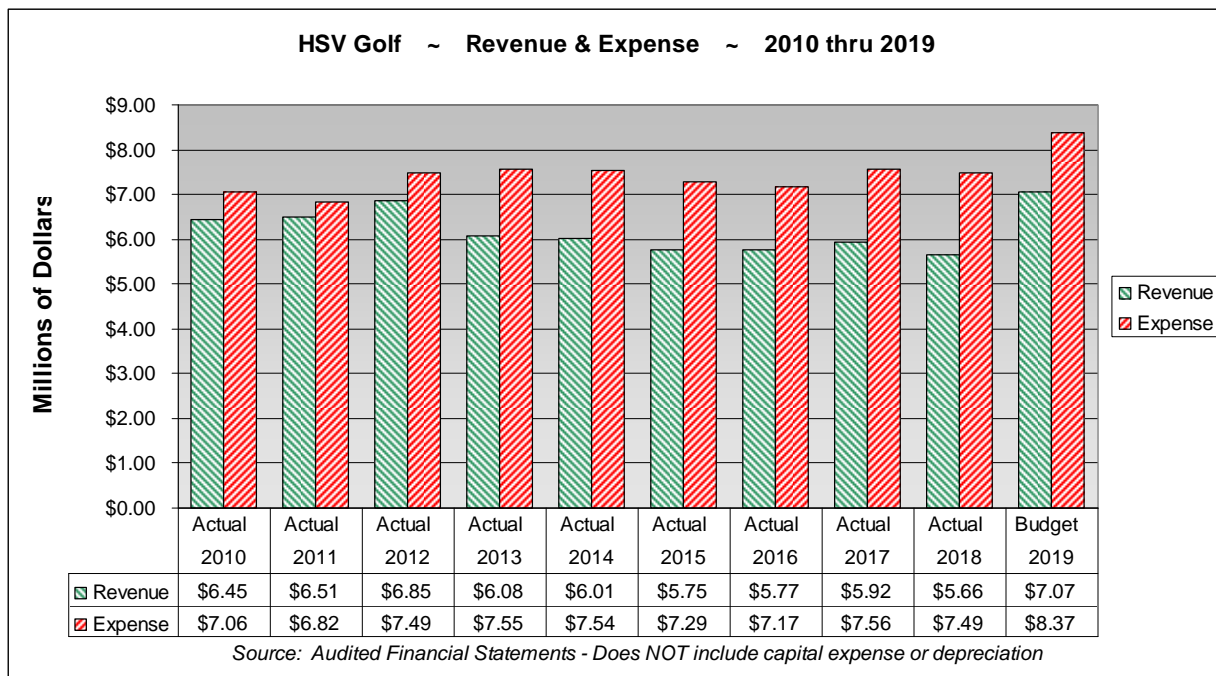
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## Step Four

**Generate Significant New Revenue.** Concurrent with stopping the bleeding, eliminating bloated management and ending the devaluation of the Village, we must immediately address our largest and most expensive, but also our most readily marketable **and most poorly marketed** Asset / Amenity: **Our Golf Program.**

Last year (2018) Golf **Lost \$1,837,120**. This huge operating Loss did not include any depreciation or capital spending which would have only made it worse. And, it far exceeds the Loss on any other amenity.

Our Golf Program has always lost money but the 2018 operating loss is the largest in recent years (2010 and forward) and may well be the largest ever. The following chart displays HSV Golf Revenue and Expense since 2010.



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As the chart clearly reveals, actual Revenue has been flat or dropping and Expense has exceeded Revenue every single year for years. Also observe the very optimistic Revenue budgeted for 2019 (more on that later).

POA likes to call our yearly Loss a "Subsidy". Everyday operating overhead (this includes: labor, management, advertising, cutting the grass, fertilizing, and just plain old maintenance) makes up the Expense bars or "Subsidies" shown.

The 2018 Loss would have been even greater if POA had not jacked up golf revenue by selling off the golf cart fleet. They are doing the same this year and current projections indicate that 2019 losses will be even greater.

Keep in mind that selling off capital assets and replacing them with leased assets is not a repeatable item. There will be no future revenue windfalls, only increased operating expenses.

Now think about all the deferred Village maintenance which has been reported. Numbers like \$45,000,000 have been stated by POA and in the CMP. Some say this is an inflated number but who really knows?

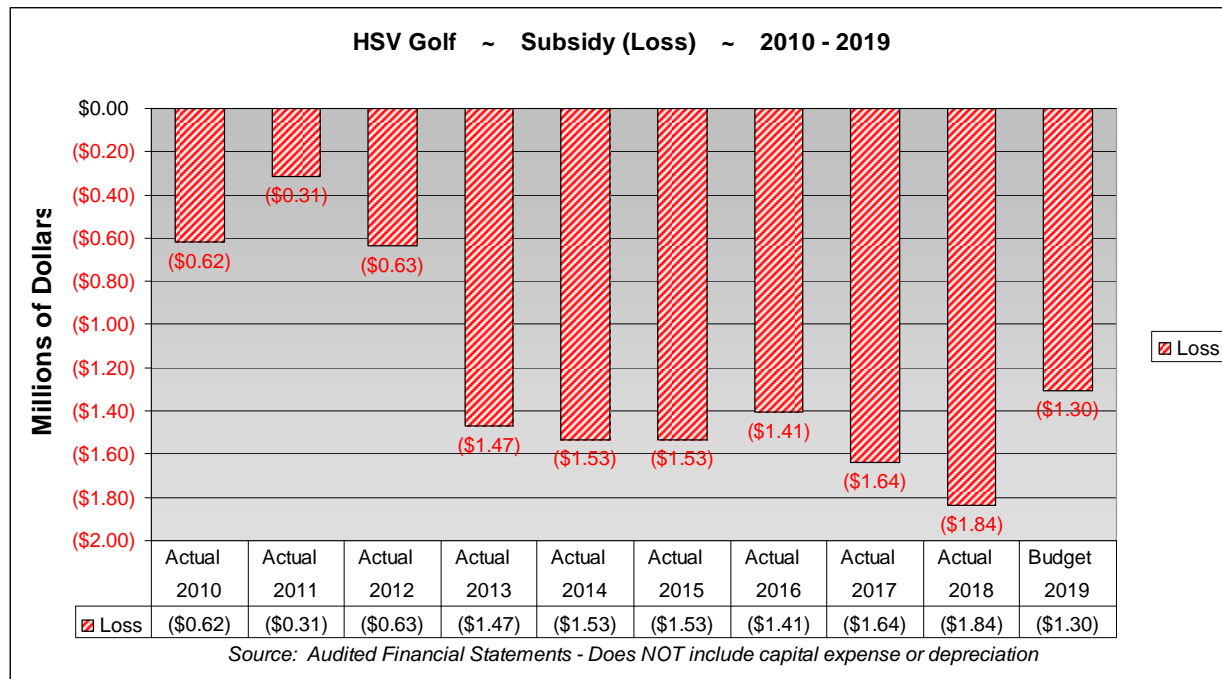
Then consider how we have virtually no reserve funds. How much of that deferred maintenance on buildings, roads, culverts, and the like (not to mention the golf courses themselves) could have been rectified if we hadn't lost almost **Two Million Dollars** on golf in 2018?

Losses and Subsidies may have been ok back in the days before the Great Recession; back in the days when Cooper Communities was still selling lots and helping foot the bills. But that was then. This is now and the history and trend are simply horrible.

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The next chart displays more clearly the amount of the actual golf "Subsidy" or Loss from 2010 through 2018 and includes the budgeted Loss for 2019.

Doesn't it seem strange that we "budget" for a Loss?



The 2018 operating "Subsidy" (Loss) is clearly the largest for the time frame reviewed. The party line POA excuse for 2018 was too much rain.

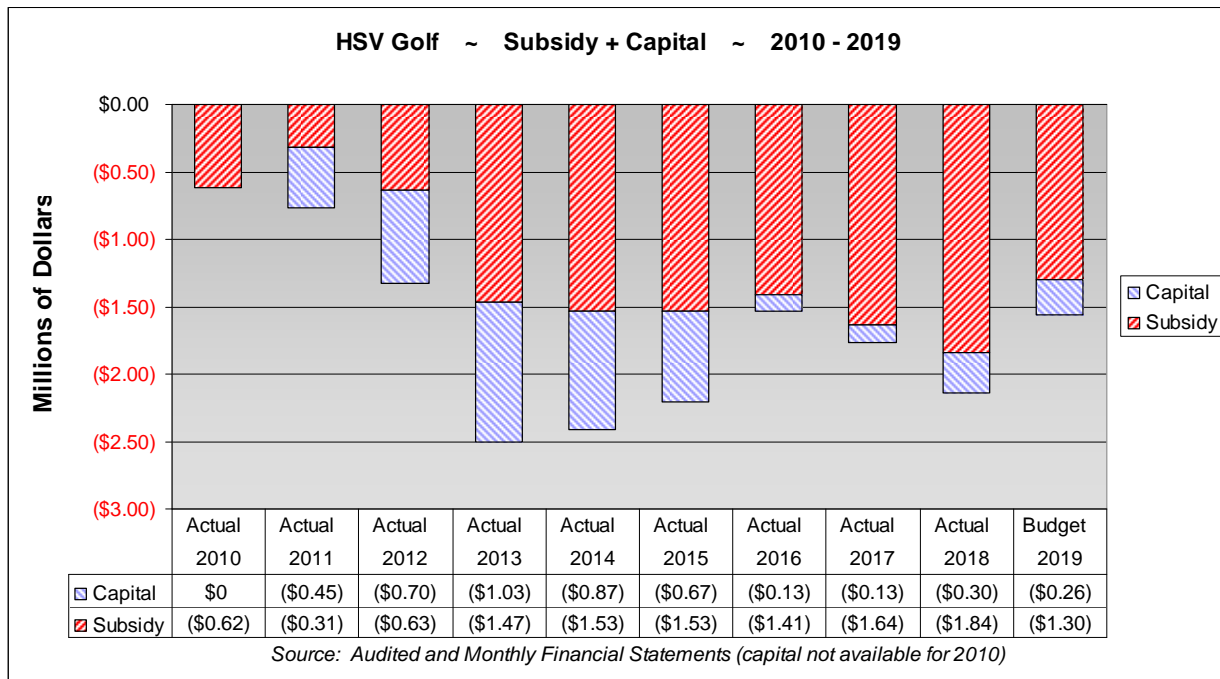
Guess what? The same excuse is being trotted out for 2019 which despite budget projections is now tracking to be even larger than shown (more on this below). No argument, we have had a lot of rain in 2019. However, records reflect that rain or other bad weather has been the POA "go to" excuse for large "Subsidies" every single year, for years.

The other patent excuses trotted out every year by POA are: a) Golf popularity is and has been in decline, and b) Our Village population is getting older. There may be some truth in the "getting older" issue. After all the average age of Village residents is about 68 years. On the other hand, the "lack of popularity" idea has actually been dispelled by several recent national golf studies.

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But, the problem is even worse when we expand the picture to include capital additions or improvements. Sooner or later any asset must be replaced or rebuilt or upgraded to current standards. That requires money and that money is called Capital.

The following chart combines operating Expense with Capital expended for our golf courses each year since 2010.



There are several key takeaways from this chart. First, it is notable that the last time POA spent any significant Capital on Golf was 2013 & 2014. In that time period there were new golf cart fleets purchased as well as a renovation of the DeSoto Golf Course. Selling those golf cart fleets, as was mentioned earlier, is what is now helping to support the continued failing of golf marketing and declining golf revenue.

Next, as everyone knows the Balboa Golf Course is and has been in serious need of a renovation - for years - but it hasn't gotten done. That is Capital money which is not being spent - because we don't have it. Yet every year our Expense bar is growing.

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POA likes to claim they are increasing our Membership Equity in their financial presentations. The previous chart tells a different story. Golf is our main asset / amenity but our Membership Equity in Golf is not being replenished.

**The current crisis:** May and June 2019 financial reports revealed that 2019 Revenue is running well behind the optimistic 2019 budget (see first chart) and POA acknowledged there is a problem. Their excuses are, of course - you guessed it - too much rain, etc.

The solutions POA has offered are cutting expenses by not filling open staff maintenance positions and "reducing supply" which means closing courses on given days. Such measures might be a great idea in the normally slow Winter season. However, one has to question their efficacy during beautiful sunny weather when courses should be operating at peak capacity.

So, what can be done to **Generate Significant New Golf Revenue?**

The solution is to change the various paradigms under which our Village Golf Program has been operating - for decades. This means new ideas, new marketing, and a new management approach.

A shopping list of possible solutions follows in Appendix 1 beginning on page 23.

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## Step Five

**Get Serious with Lot Sales and Marketing.** Hot Springs Village has been the "best kept secret" for far too long. We need to be marketing and selling all of The Village as a whole and specifically our Village Lots. This means ALL the Village Lots - with national and targeted marketing, and NOT at giveaway prices.

Our POA needs to coordinate a national marketing program in concert with our Village Realtors, CCI our Developer and our Chamber of Commerce. This marketing program must include the lots we have in POA inventory as well as those lots of all other owners who wish to sell.

We need to reach the masses of people in the proper interest areas and demographics who have the wherewithal to buy. We must Create Desire. We must target the market of Retirees who are Golfers.

In the last year or so POA started the "Discovery Package" program. It is a good idea but basically flawed. Golf is our largest amenity asset (and keep in mind we have tons of excess supply) but the discovery package costs \$50 more if a prospect wants to come visit and play golf. Then they wonder why they are selling fewer golf packages compared to the plain vanilla version. Go figure. The Discovery Packages should all include a free round of golf for any prospect(s) and all packages should be priced equally.

The Discovery Packages should also be promoted in national media like Golf Digest and Golf Magazine and publications such as AARP. How about also enticing the editors of those types of publications to come visit for a totally free week of golf and vacationing? Pair them up with one of our golf Pros or one of our Ambassador golfers. Then when they write an article about us they can tell the world about how wonderful it really is here. And they can do it without the self serving, paid for placement, cameos of our fancy titled CEO and Chairman as we saw last year in Ideal Living Magazine. What an arrogant waste of our money that was!

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The bottom line is we need to market to people who will value an investment in HSV with its low cost of living, reasonable real estate and many amenities - specifically golf - just like we value it. If they don't know about us or don't have the desire to move just yet we need to be informing them and Creating that Desire - for later. Our marketing should not be targeted to the fancy, narrow, million dollar home markets such as that of Ideal Living Magazine.

There is some good news. Several Villagers have already figured out, described and developed many of the basics of such marketing programs. Let's use them. What we have been doing isn't working!

Action is needed - **NOW !**

**This is NOT a job for more committee work !**

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## Step Six

**Get Serious with Home Sales and Marketing.** Just like above we need to be marketing and selling The Village as a whole and specifically our Village Homes. This means ALL Village Homes - New and Resale. This means national targeted marketing in concert with Village Realtors, CCI our Developer and our Chamber of Commerce. As noted above we must address the proper target areas and target market which is Retirees who are Golfers (did I repeat myself?).

We must market our Homes and the Village as a whole. Again, **this includes Resale homes**, not just lots or new-build homes. One way to do this is by utilizing the Discovery Packages noted previously. These packages need to be available for the Realtor community (or CCI or the Chamber) to 'sell' (or give away). They cannot be reserved only for POA use. We need all marketing channels working for us.

Simply put, we need to Create an Overwhelming **DESIRE** and **DEMAND** for the Village by getting our “best kept secret” publicized to the correct demographics and target markets. **CREATING DESIRE** and **DEMAND** will result in a **shortage of resale homes**.

A fancy and discriminatory builder's guild is not needed to get homes built. We need **DEMAND**. **A supply shortage brought about by proper marketing will cause the builders (and the buyers) to come to us.**

As a side note, many economists believe the national economy is becoming ripe for another recession. That also means that the housing market here will soften again. It already has in many markets across the country. Over the last decade the nation experienced a housing boom but HSV barely participated. Why? Because we were doing all the wrong things (or often nothing), spending our money in the wrong places and targeting the wrong demographics. Time is a wasting.

Action is needed - **NOW !**



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## Step Seven

**Implement 21st Century Technology:** We can do all of the other things in this Plan but if we do not get our technological infrastructure up to current standards and expectations we might as well just start turning out the lights. **This means Full Coverage Cellular and Truly High Speed Broadband - FOR ALL AREAS OF THE VILLAGE.**

Those Retirees who are Golfers mentioned above who might come from Little Rock, nearby states or wherever all use smart phones. They want to keep in touch while they are away. Those Retirees who are Golfers we should be marketing to are NOT the same bunch that retired even 5 years ago. They may now be retired but they just came from jobs and careers and former lives that depended on digital and mobile data, smart phones, iPads, Gigabit data speeds, 4K HDTV and the like.

Flip phones are a relic. Fax machines are obsolete. Nobody buys movies on DVD's any more - they stream movies and shows on Netflix, Amazon, Hulu, YouTube TV and a host of others. They need reliable high speed Broadband internet service. People who are not yet retired or semi-retired often work at home and need to be connected. They will no longer accept Dial Up or a DSL line or Satellite internet which are the only services available in much of HSV. All of those old school protocols are simply too slow for today's world.

The millennials talked about so much by the POA won't come here either if they can't work from home or enjoy state of the art technology. And no, despite comments recently by one of our POA staff, satellite internet will never be the answer - always too slow and too expensive. The fact is that there are many Third World Countries with better technological infrastructure than that of our Village. Think about it.

If you look back at Village Voice articles for the last half dozen years you can find multiple letters to the editor on the subject - complaining. There are also various "feel-good" articles reporting how our Governmental Affairs Committee has a line on some new provider with some new magic solution

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- next month or next meeting or next year. All empty promises. Nothing of substance has been getting done.

If you ask a Director or our CEO they tell you "we can't get there from here due to insufficient ROI for providers". Or, they start talking about Wi-Fi when they mean Broadband and they don't know the difference. They are clueless about 5G Cellular. Or, they blame it all on Cooper owning the cell towers or the right of ways. Again, nothing is getting done. After all it's technology. To quote a board member *"It's all Greek to me"*.

Speaking of cellular, that's the other major flaw in our technological infrastructure. A large percentage of Villagers cannot get a reliable cell signal in their homes or on their streets. Yet we have POA wasting time, money and other resources trying to implement remote reading water meters that depend on cellular connectivity. First, everyone needs to have a strong, reliable cell signal wherever they are or go in the Village.

The 5G Cellular system noted above (if you don't know what it is, Google it) is now being built out nationwide by all the major carriers. But, we can't have it - will never have it - if we don't even have sufficient towers to provide full coverage for the older protocols. By the way, 5G provides a dual benefit - more reliable cellular calls and high speed broadband.

We all know about the POA's *'build it and they will come'* ideas. They want town centers, lodges, pocket neighborhoods, and the like. None of these ideas will actually create a Desire for folks to come here. Such Projects Can Only Be A Result of population growth and density which would mandate that they be built.

On the other hand, **21st Century Technology is a truly viable *'build it and they will come'* concept.** Everyone already wants technology in today's world and many places, just like us, still don't have it. It is a "must have" and those places that have it will grow and prosper.

**Bottom Line: FIX IT! GET IT!**

While we are on the subject of modern technology let's talk more about marketing, Modern Marketing. Old school advertising venues like

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magazines and other traditional media are just fine and a basic pillar of any marketing program. Can you say Golf Magazine or Golf Digest? We need some of that.

However, the golfers and home or lot buyers, the entire bunch of them including the retirees, all begin and end their searching online - on the internet. They are using Google, Bing, Facebook, Zillow, Realtor.com, LinkedIn, Twitter, Instagram and similar "new-tech" avenues to find what they are looking for. They are using their iPads, iPhones, Androids, tablets and laptops to do the searching.

Our lovely new (and probably very expensive) web portal called [explorethevillage.com](http://explorethevillage.com) is virtually useless. For one thing it hardly targets golf or retirees at all and it's all about feel-good, intangible and altruistic stuff. For another, it mostly cannot be found with a simple Google search.

Among the missing pieces, it needs what's called "search engine optimization" (SEO). SEO is used to place our digital presence at the top of the page when people search, open email, check their social media, whatever. There is also what's called "pay per click" advertising offered by Google and others which guarantees a top spot for certain search words.

Is all this expensive? Maybe. But as it stands now those searching for "golf" and "retirement" have an almost zero chance of directly finding Hot Springs Village anywhere online. If they do find it, that is because it shows up in what's called an "agglomeration" site which lists all other competing communities regardless of whether they are truly comparable or not. Believe it or not, internet marketing isn't new. This stuff has been around for two decades now and meanwhile HSV has been going unnoticed.

Again, the Bottom Line is: **FIX IT ! NOW !**

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## Step Eight

**Stop Violating the Declarations and Bylaws:** Last year our Board of Directors approved and signed a contract to sell our precious sewer services to outside parties - and for a pittance. This plan was a direct and specific violation of our Declarations. Then they tried to cover their tracks by soliciting the Members to vote for changing our Declarations to suit. As most now know the Declarations vote failed and the sewer project ultimately failed as well. But this was just the tip of the iceberg.

Lately, it has come to light that certain committees have been created and have been operating in direct violation of long established POA Bylaws. Of particular concern is the Governance Committee (GC) which was established two years ago. This GC is made up of only three Directors and the CEO and is in direct violation of the Bylaws. It is essentially a way for a certain few individuals to dictate everything and answer only to themselves. It is also a tool for the CEO to further control the Board of Directors rather than the other way around.

This GC is a classic case of 'the fox guarding the hen house'. And, you guessed it, the remedy to fix these violations, which has been proposed and is being implemented by our Board of Directors, is to just change the Bylaws. Change the Law to Justify the Crime. How brassy and arrogant!

**Stop Breaching Your Fiduciary Duties:** More recently, as a result of a court order, the CEO's contract was made public. It is now clear that the prior (2018) Board of Directors breached their Fiduciary Duty by making it virtually impossible for the CEO to be terminated while they extended her contract into 2021. This was a blatant move by that Board to thwart the will of the majority of Members. Their actions have rendered impotent the three newly elected Board Members who generally ran for election on platforms of taking back control of the POA. This kind of behavior by those entrusted with the fiduciary responsibility of caring for our Village must end.

**STOP IT NOW !**

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## Summary

There you have it. **A New Plan**. But, none of it is really new. This is all just common sense, basic stuff. Stuff that has just not been getting done or has simply been getting done wrong.

We do not need new committees or sub-committees or consultants. We do not need armies of lawyers fighting court battles for us. We do not need layers of management or fancy titles like CEO or trendy sounding executive positions like CMEO.

We do not need "build it and they will come" projects like Lodges, Pocket Neighborhoods and Town Centers or to waste time trying to figure out how to get a new grocery store.

We do not need continual tinkering with the Declarations, By-Laws and Policies to serve special interest purposes.

The focus should be laser sharp: FIX WHAT WE HAVE - MARKET WHAT WE HAVE - CREATE DESIRE AND DEMAND - RESPECT THE WILL OF THE PEOPLE.

Do those simple things and all the rest, when and if needed, will all come about of their own accord. None of this is impossible stuff. All that's required is for our Administration and Board of Directors to. . .

**JUST DO IT! And, DO IT NOW!**

Thank you for reading. Please also read the Appendix which follows for ideas and solutions on HSV Golf.

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## About the Author

*Tom Blakeman has been a full-time resident home owner in Hot Springs Village since January 2016. He is retired. His background includes:*

- *Bachelor of Science Degree - Engineering*
- *Masters Degree - Business Administration*
- *Licensed Real Estate Broker (Texas)*
- *Over 20 years experience in various corporate positions*
- *Over 20 years as owner of his own business*

*Tom is a golfer and a do-it-yourselfer. He likes to fix things. His professional work experiences included, among other things, business management and operations, real estate sales and marketing, project engineering, economic analysis, business writing and review and interpretation of contracts.*

*The facts presented herein, such as golf and financial statistics from HSVPOA, are just that, facts. The ideas and opinions expressed herein are also just that, ideas and opinions. Mostly they are solely those of the author but many (particularly those relating to golf) have been developed with input from others.*

*Please take time to read these facts, ideas and opinions with an open mind and take them in the spirit with which they are being presented:*

***The Best Interests of the Property Owners of Hot Springs Village, AR.***

Tom Blakeman  
Village Resident  
August 8, 2019

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## Appendix 1

The following ideas may fly in the face of the traditional and accepted norms for Hot Springs Village and golf in general. They may result in some members having less flexibility in tee times or reduce their freedom to just play an extra nine whenever they want to on their home course.

No doubt those wanting only to preserve the status quo will object. But, golf is and has been chronically losing money, big money. The \$2 million loss in 2018 could have been plowed back into upgrading the Balboa golf course or building the pool recently approved by the Board of Directors.

So, let's get on with it:

- First and foremost Golf needs to become a revenue generator. To do that we need more volume of play and that means more Outside Play. There must be new steps taken to aggressively market to Outside Golfers so that on most playable days, particularly on weekends, the courses are full - all day.

This means: ***Create a basic and consistent rate structure that provides "a value so good they can't refuse"*** for any and all Outside Golfers living in a 100 mile radius, or for that matter, anywhere. Yes, that's right, Outside Golfers. Bus them in from Little Rock if you have to. Provide a variety of incentives as needed such as "Free hot dog and drink with a round on Tuesdays". How about a free sleeve of HSV logo balls with their round? We must make Outside Golfers want to travel the two plus hours to get here (or come back here) and spend the day. Here's an example of what's currently not working:

- On Monday, July 1st, 2019, Granada, our 'flagship' course, was practically empty at about 10:30am. The parking lot had few cars. The restaurant was empty. Yet, a few days before, Golf Now had our pricey outside player rates posted (\$79.00 per player, plus a 'convenience fee' of \$2.49 per player, plus tax).

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- On Wednesday, July 3rd, Golf Now had one 10:28 tee time posted For Saturday, July 6th at \$72.00 per player for Granada, what a bargain!. All the other morning tee times posted (15 of them) for July 6th were at \$79.00 per player (4 players - 18 holes) plus the 'convenience' fee of \$2.49 for each player, plus tax. The afternoon tee times posted (36 of them) were all at \$50.00 per player plus the 'convenience' fee, plus tax.

For the same course, date and times our own Member site showed the exact same number of tee times available for Members here in HSV.

- On the same day, for Cortez Golf Course, for the same future date (July 6) and times, Golf Now had 34 tee times available at \$65.00 per player (4 players - 18 holes) plus the 'convenience' fee of \$2.49 each plus tax. The afternoon tee times posted for Cortez (38 of them) were all at \$45.00 per player plus the 'convenience' fee plus tax.

Again, for the same date and times our own Member site showed those same numbers of tee times available for Members here in HSV.

- Meanwhile, for the same dates (July 3rd booking for July 6th), nine other golf courses (all outside of HSV in a 50 mile radius) had tee times posted all day long with a maximum cost of \$40.00 per player (4 players - 18 holes) plus the 'convenience' fee of \$2.49 each. Rates actually ran as low as low as \$27.00 per player per round plus the 'convenience' fee for afternoon times.
- Flash forward now to the actual date of play, Saturday, July 6th, 2019. At 8:25 am Golf Now had the same pricing as noted earlier and the following availability for that same (now current) day:
  - Granada: 11 morning tee times (4 players - 18 holes) and 35 afternoon tee times. Meanwhile, the POA Member site showed the same 11 morning and 35 afternoon available tee times.



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- Cortez: 18 morning tee times and 33 afternoon. POA site showed 21 morning and 35 afternoon tee times for Members.
- **Obviously our Golf Program left dozens of rounds and thousands of dollars on the table for that Saturday in July. There can only be one conclusion drawn: Our pricing for outside players is above market and way too high.**

Naturally the POA dreamers and supporters will claim that our Village courses are so superior that we can command premium prices compared to the competition. If so, then why are we having surplus tee times all day every day on ALL the golf courses?

***These empty tee times are just like empty seats on an airplane. The plane still takes off but each empty seat (tee time) is lost revenue, never to be recovered.***

Getting more Outside Play and filling those empty tee times has the added benefit that once those outside players see and recognize what's here they may well want to become an owner too. We can help insure that by seeing that they all receive Village information while they are here: Brochures in their cart, a little welcome bag, coupons, whatever. Right now we do none of this and it shows.

But, first we have to get them here and that means:

***A basic and consistent rate structure that provides "a value so good they can't refuse".***

- Increased volume of play must also come from attracting more Tournaments and Events. Again, this means Outside Tournaments, not the ones that mostly cater to couples and residents already living here. This means ASGA / PGA Sanctioned Tournaments, major Charity Tournaments and Industry and Convention related Tournaments.

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We need to increase our marketing efforts for Outside Tournaments and provide hosting assistance, discounts, incentives and a quality / value proposition to encourage Tournament organizers to host their events here, and then come back, year after year. Currently we are not doing much, if any, of this. This means creating a Tournament and Event benefit structure that provides (as above) **"a value so good they can't refuse"** for any and all Tournaments and Events.

Then, when tournaments are concluded every player needs to go home with something to encourage them to think of moving here and a reason to want to come back. This does not mean little key chain trinkets or koozies with the local Realtor® logo on it.

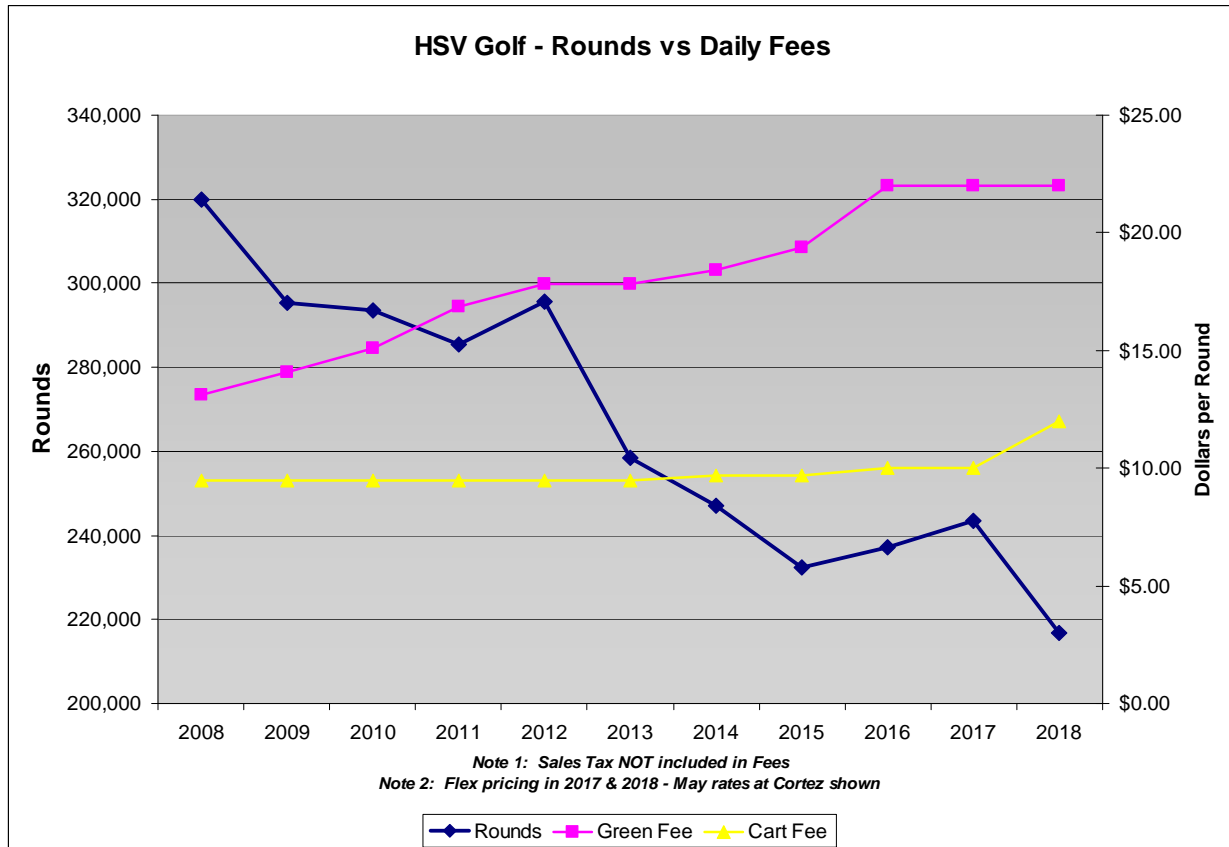
This does include such incentives as Village oriented prizes for their tournament winners, Village golf discount coupons for all the participants, Village stay and play coupons and Village logo items. It also includes a package of information and brochures of our Village amenities and benefits, lists of all available golf, lake, view and wooded area homes and lots, etc.

- Along with bringing in more Outside Golfers and Outside Tournaments, ***the cost of Member Golf (Daily and Annual) needs to drop back to more attractive levels*** to encourage Property Owners (Members) to get out and play more. That's right, not only do the outsider and tournament rates have to provide a more compelling value (read this cheaper if you wish), ***there needs to be a significant drop in overall Member Golf Rates as well.***

Let's take the Daily Pay rates first (we'll get to Annual rates in detail later). Green Fees and Cart Fees for Daily Pay Member players have gone up dramatically in recent years while at the same time Total Rounds played on our eight courses have been dropping like a golf ball into a water hazard.

# A New Plan

The below chart compares Total Golf Rounds and Daily Member Golf Fees:



Daily Member Green Fees were increased every year from 2008 to 2011 as Rounds steadily declined. A lucky break happened for 2012 as Green Fees were raised yet another dollar but Rounds actually increased that year. Abnormally mild weather was the telling factor. To quote a POA 'Golf White Paper': **"2012 had virtually no winter weather and limited closure from rain"**. But normal weather returned in 2013 and Rounds continued to fall dramatically.

Further price increases mandated for 2014 and 2015 continued the slide in Rounds played. Troon came along in 2016 and convinced

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POA that Member Fees could be tinkered with between the courses, e.g., \$25 for Granada, \$22 for Cortez, etc. Then in 2017 "Dynamic Pricing" for Members was implemented, also on Troon's recommendation.

None of these schemes have worked out as promised. While there was a marginal uptick in rounds for 2016 and 2017, probably due to the lower Winter fees, there has been no ability to raise rates above previous levels for prime playing months.

The chart also reflects how jacking up the Member's daily Cart Fee 20% in one year (2018) further exacerbated the declining Rounds problem. This was another huge disincentive for Members to play. The result as shown by the chart is obvious.

Raising Fees against what is known as '**Elastic Demand**' is a recipe for disaster. It is a huge disincentive to Daily Pay Members wanting to play golf, particularly when many of these Members are retired and on fixed incomes.

*Definition: '**Elastic Demand**' is when changes in price impact the quantity of products, goods, or services demanded.*

The solutions are simple: Daily Pay Fees for Member Players must be reduced. They also must be stable, dependable and equalized across the courses and across the seasons. Granada can't be pricier than Cortez for Members - this only inhibits and discourages Member daily play. April, May and October can't be more expensive than August or December and January either for Members - this only discourages Member play. See the next bullet for more on this issue. Again, what we have here is '**Elastic Demand**'.

While we do have great golf courses, the long standing and simplistic idea, that our overall Property Owner (Member) Golf value is so great compared to other places, is failing miserably.

- As noted above, for a few years now POA has been trying to implement the idea of "Dynamic" or "Flex Pricing". And they have been implementing it, in particular, on the Members. The Members

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were not consulted. This concept was brought here and promoted by Troon and bought into by our Board and POA - so gullible.

So let's talk about that. What is dynamic pricing anyway? From Wikipedia we learn:

***Dynamic pricing**, also referred to as **surge pricing**, **demand pricing**, or **time-based pricing** is a pricing strategy in which businesses set flexible prices for products or service based on current market demands. Businesses are able to change prices based on algorithms that take into account competitor pricing, supply and demand, and other external factors in the market. Dynamic pricing is a common practice in several industries such as hospitality, travel, entertainment, retail, electricity, and public transport. Each industry takes a slightly different approach to re-pricing based on its needs and the demand for the product. **Dynamic pricing can be unpopular with consumers and favors the wealthy**, who are less likely to be priced out of a market when there is high demand, such as for electricity during a heat wave or for food during a famine.*

Aside from the issues noted above, dynamic pricing only works when demand is already relatively strong and you are dealing with a mass market. We the Property Owners (Members) are not a mass market and are we are not all wealthy.

POA seems to think that with dynamic pricing and a "Maximum Daily Green Fee" they can jack up the Member's daily fee whenever the weather is going to be nice. So far they've only tried it month to month (see earlier chart and section on this topic). And, guess what? It isn't working.

It can't work because schemes that create uncertainties and inequities among and between the Member Players are never going to work. These misguided schemes must end!

- Along with the dynamic "flex" pricing the POA has so many different rates and fees connected with Member golf (daily, annual, cart, etc.) that it takes four (4) full pages in the 2019 Budget Fee Schedule to list them all. The pro shops have color coded back and front 'cheat sheets' to supposedly help them understand pricing. But, if you ask any pro shop clerk they will tell you it is a confusing mess. Combine

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this with Golf Now having premium pricing, above the competition, for outsiders and what we have is a total disaster in pricing.

What needs to happen is simplification and consolidation in pricing particularly for Members. We need to be able to consistently and clearly display the cost of play for ourselves (Members) as well as Family, Guests, Visitors, etc. This does not mean that things like "Winter" rates or "Twilight" rates can't still apply so long as they are fixed, stable and equitable. We might also try an "Early Bird" daily Member rate. Special "sale" days or "tournament" rates might also be feasible. But, Member "deals" or incentives must apply across the board - simply, reliably and equitably.

- Further along the lines of making the cost of golf more equitable for all Property Owners, particularly Daily Pay Members, is the sales tax issue. POA traditionally advertises and markets our golf fees (Member and Outside) without the sales tax. This is quite misleading.

Everyone knows sales taxes in Arkansas are substantial. In addition, the sales tax rates between Saline and Garland county are different. Combined state and county sales taxes on a round of golf (green fees + cart) are 6.875% in Saline and 8.0% in Garland, plus there is an additional 1.0% state rental tax on the cart fee in both counties.

Assuming the base green fees are the same per course (*which they are not - see above section which addresses this inequity issue*) the total cost to the player for a round in Garland is higher than a round on a course in Saline. This is solely thanks to the tax. Peanuts? Maybe. Is this another way annual payers get to play for less because POA offices are in Saline county which has the lower taxes? Probably. This is inequitable between the Members. It is a disincentive. It isn't working and must stop!

Think also how much simpler it would be for an Outside Player if they could come out to play and know exactly the full out-of-pocket cost up front. After all, Outside Players really don't know when they are in one county or another. This could also be used as a marketing lure for the Outside Players when they are comparing rates to their local

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area courses. "Tax Included" may be a relatively small thing actually but it sounds like a big plus.

Needless to say all the taxes still get paid, they are just built into the posted and advertised rates. POA should easily have the computer ability to make this happen. Didn't we just get a great new software package only a few years ago and new servers just in 2018? And how much did all that cost us?

***Guess what? Other places post "Tax Included" green fees for members. Our sister village Bella Vista is one.***

- So. . . increase the volume of play through reduced and equalized golf fees. Right? Some say that "discounting" golf is a "race to the bottom" with no winners. Others argue we don't want to "cheapen" ourselves, etc.

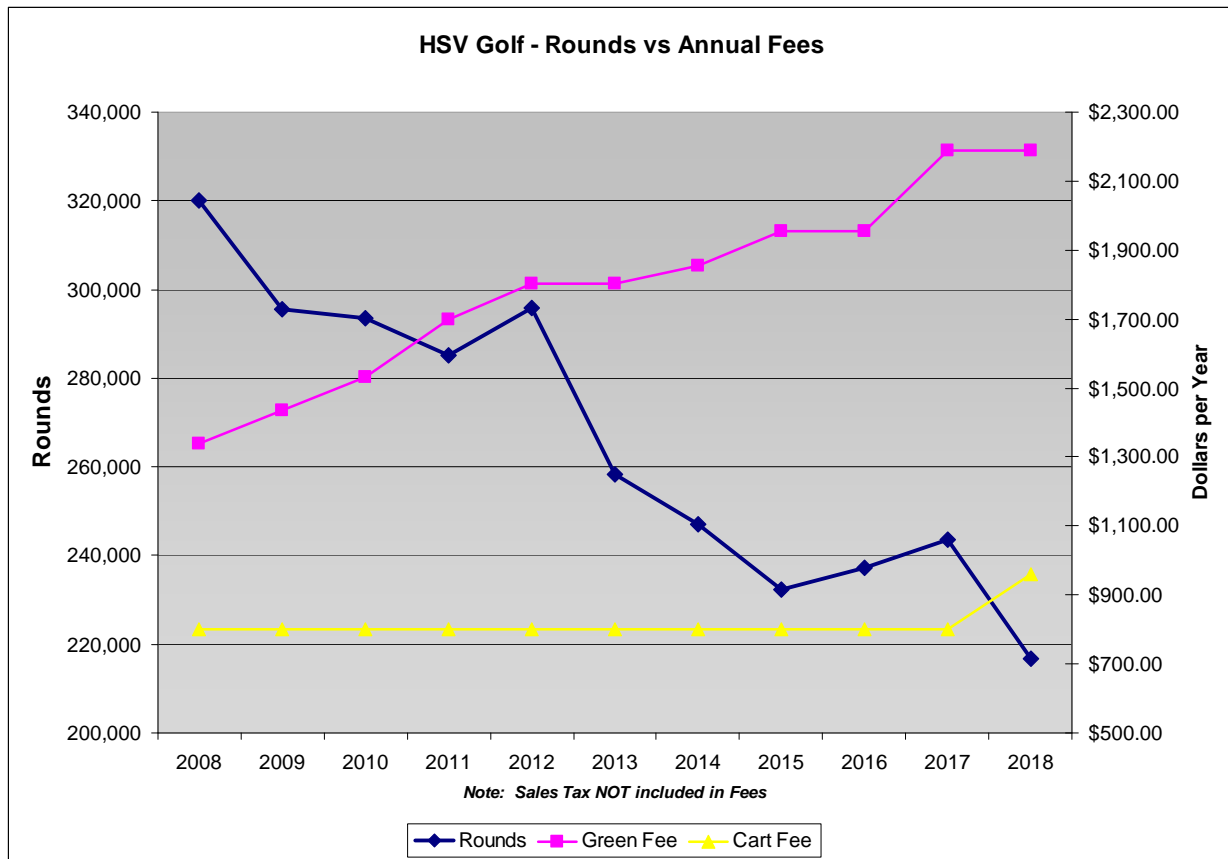
Well, think about it another way. We happen to already have more golf courses in one location than anybody else in the entire state. Whether we like it or not we are already the '**Big Box**' player - *the 'Walmart' in golf* - for Arkansas and probably the entire Midwest. So what's wrong with '**Everyday Low Prices**'? It works for Walmart. Why not take advantage of our strength in size and operate more like they do?

In a similar sense we can also strive to become the '**Amazon**' of golf for Arkansas. Amazon started off by having low prices, free shipping and no sales tax. Nobody thought it would catch on, way back when. Now, every retailer fears Amazon and many have died along the way. Today, you have to be an Amazon Prime customer to get the free shipping. The prices are not always the lowest, and the sales tax is usually now charged. But, they still usually offer a '**Great Overall Total Value**' to the customer - convenient, easy to use, price competitive.

We need to be taking business away from other golf destinations just like those retail giants Walmart and Amazon take business away from the mom and pop stores and old line department stores. We need to change how we do business to emulate what works in the real world today.

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- Now let's look at the Annual Pass program. The next chart compares Total Golf Rounds and Annual Member Golf Fees since 2008. Just like with Daily Golf, the POA's insistence on tinkering with fees and raising them into the face of '*Elastic Demand*' has been a recipe for disaster.



The Annual Golf Fee results are almost a carbon copy of the earlier chart on the Daily Fees. Obviously, the total Rounds line displayed on both charts is the same. POA raised Annual Fees on approximately the same timing as they did for the Daily Fees including a sizeable boost in 2017 followed by an increase in the Cart Fee in 2018.



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The Rounds decline was an issue even before 2008 due to the economic recession. However, the real breaking point or crossover appears to happen in the 2011 - 2012 time frame. One might think that someone would have figured this out way back then but apparently they didn't.

Coincident to rounds dropping, even more telling is the decline in the number of Members signing up as 'Annuals'. In 2018 there were approximately half the number of the 'Annuals' as in 2008. Cart leases and private carts revenues declined similarly.

The bottom line: You cannot raise Fees (prices) when you do not have '**Pricing Power**' and you do not have '**Pricing Power**' if your '**Demand**' is '**Elastic**'. The excuses and rationalizations of bad weather, aging golfers, declining popularity and the like are all convenient. In fact they do contribute. But now you have heard the sad but true full story.

- Aside from reducing Annual Fees, the entire Annual Pass program needs to be totally revisited and revised. The idea that the player with an Annual Pass doesn't care which course he plays (because his price is the same) penalizes the Daily player as noted in an earlier section.

Pricing the Property Owner Annual Pass to require a buyer to play approximately 100 rounds to break even is part of the problem. It only makes sense for the avid every day player. It does not appeal to those average players who might only play 20, 40, 60 or 80 rounds per year. I am one of those players, how about you?

Having a limited signup window (in January only) is a further source of lost revenue. Why not let any Property Owner who wants to front the money at any time have a year's worth of play? Let their "year" run from the month they sign up for 12 months.

***Guess what? Other places do it. Sun City, AZ does it and they are the oldest and biggest senior community.***

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The POA goal should be to try and get every new Property Owner golfer signed up on some type of Annual program from their very first day in the Village - that could be as many as 50 (or more) new home owners every year, not to mention the many more resale home buyers.

Yes, yes, the big bad bugaboo of the 60/40 tax exempt status seems to be part of this whole idea of January only and so on. And, somehow many think we need to operate golf at a loss (subsidy) to protect that precious IRS 528 tax exempt status.

Baloney. Think of it this way: We first need to worry about losing millions of dollars every year before we worry about our tax status.

- Why also are our golf fees, Annual in particular, discriminating among the Property Owners? Traditionally and currently we have various deals for couples, certain age groups, employees, marshals and so on. While these may benefit some they also come at a cost to our revenue and could be considered discriminatory.

For example, how fair is a "Couples" Annual rate to a couple of which only one plays golf? Why are we favoring "Super Seniors" over all the rest? Speaking of fairness, where is the "Family" annual rate for all those families we want to encourage to move here? There is no "Family" rate on the annual fee schedule. If an Annual deal is good for "Couples" and "Super Seniors" why is there no rate for "Families"?

And what about the "Employee" rates? It might be one thing to offer a health club benefit to all employees, many employers and insurance companies (Silver Sneakers) do. But why golf? Is our pay scale for employees so far below market that we need to give them a sweetheart deal on golf? Hopefully not.

If the pay scale is wrong, fix it. Maybe we could pay our employees more if we did not lose millions of dollars every year on our largest amenity/asset. We need to make golf a profit center for the Village.

# A New Plan

- Now let's address the misrepresentation of the so-called discount for the lump sum up-front payment for the Annual Pass. It is advertised as a 15% discount from the rate for so-called ACH (bank draft) billing. That's actually backwards. It is not a 15% discount.

A discount is always calculated as a percent off of the higher rate. If you calculate it correctly the "discount" is only 13%. The ACH buyer actually gets a 15% surcharge. Let's at least advertise and display our rates and incentives accurately.

Then, whether the Annual up-front "discount" is 13% or 15% has anyone considered what a huge disincentive this might be to getting more Annuals? Sure, the big "discount" is a great thing for the up-front Annuals. Perhaps a smaller incentive for up-front would work just as well and be more appropriate. Many people like to pay monthly for large purchases and a 15% surcharge is basically a rip off - a disincentive to being an Annual.

If monthly ACH (bank draft) billing is ok what is wrong with just billing someone's credit card monthly for their fee? And NOT charging them a huge surcharge. Why would anyone want to pay 15% more just for monthly billing? An up-front Annual buyer can charge the whole amount to his credit card and most do just that. Why not let it be charged monthly to an Annual Pass buyer on his/her credit card?

Keep in mind that virtually all service industries today charge monthly fees to credit cards - **with automatic renewal**. It's called the "drip system" in some circles - the buyer doesn't notice the relatively small and repeating monthly charge (*drip, drip, drip*) so it continues on and on. Why are we not doing likewise? We are way out of step with the way all businesses work in today's world.

- To supplement the Annual Pass, we should also implement a "Rounds Card" type offering. This could be similar to the "range card" type punch card currently available for range balls. A property owner could buy a card for 10 or 20 or whatever number of rounds and use it whenever they wish. It could be structured for nine hole rounds so two punches are taken for an 18 hole round.

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The incentive would be a small discount per card when purchased compared to the Member Daily Fee. Needless to say, the Member Daily Fees first have to be reasonable, fixed and stable. The golf program benefit comes when POA gets cash up front and (maybe) again if the player never actually uses all the punches on the card. The concept is similar to gift cards used by all retail merchants in the U.S. and World Wide (did I mention Walmart and Amazon?). Every successful retail business is doing it, why not us?

The "Rounds Cards" do not need to be paper punch card type either. They could be made with identity information imbedded (just like our POA cards) so they cannot be resold or transferred and used only by the Property Owner. Family members could give them to Owner Players as gifts. They could have expiration dates. There could be a separately (higher) priced card for Outside Players. There are probably many other possible options. The goal is to sell more Golf!

- Then there is range ball roulette. In one recent year Daily Pay Players got a token for a range ball bucket but Annuals did not. The next year it was switched. Then apparently the free bucket idea changed such that Annuals got a free punch card for a fixed number of buckets. How does any of this make any sense?

We can't continue to play games with range balls and tokens. All Owner / Member Players should always be able to have a warm-up bucket on the house - if they want one. This would be a simple Member benefit and further eliminate discrimination. For Outside Players the a warm-up bucket could be included in the Outside Marketing and Advertising packages. This could vary from time to time depending on how much play was coming in. That's just good business.

To make this manageable, let the pro shop dole out the buckets if a player wants one and give up the token idea. Ditch the ball machines too (Ponce doesn't seem to suffer without them). Or, the ball machines could be converted to taking quarters for those wanting extra practice balls or off-hours practice. Heard but not verified is that POA spent \$90,000 buying tokens just a year or two ago. Think about what a waste that was.

# A New Plan

- Earlier the concept of *"a value so good they can't refuse"* was discussed in terms of pricing and promoting our golf. Now let's discuss the value of our golf product in terms of quality. Everyone likes to talk about our "Championship" golf courses. POA advertises them as such. But are they really?

"Championship" golf courses traditionally are those which have been the site of significant and important golf tournaments. They are courses on which the Pros play. Think U.S. Open. How many Pro tournaments have we had? How do we compare when we advertise what we have as "Championship"? Let's think this through. Do "Championship" courses have:

- Crabgrass on the greens,
- Inconsistent roll from green to green,
- Greens that take 8 weeks to recover from aerification,
- Rocks in the bunkers,
- Inconsistent sand types and depths in bunkers,
- Bunkers that hold water,
- Fairways that take days to drain off after any rain,
- Fairways with chronically soggy areas in swales,
- Fairways with patches of rocks,
- Ruts along many cart paths,
- Pot holes or root damage on many cart paths,
- Poor or missing directional markers,
- Inaccurate or no range markers on practice ranges,
- Front aprons (fringe) that stay soggy from over watering,
- Unlevel tee boxes,
- Dirty or smelly restrooms,
- Poorly marked and dangerous cart/road crossings?

Of course they don't. But our courses do. The point is that we need to live up to the expectations created when we declare we have "Championship" courses. We need to provide a product so superior that it makes all players, particularly those from outside, feel that they are getting their money's worth and then some. That's how you get them to come back. That's how you can eventually price your

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product above the competition - and get it! That would be ***'Pricing Power'***.

Our golf courses have been here for 20 to 50 years and some have been rebuilt at least once. Yet, there are still drainage problems and chronic maintenance problems that exist on every course. This is simply unacceptable. The excuses commonly used such as Cooper put in substandard irrigation or we can't afford to do the maintenance or we just can't get good workers don't cut it. Unacceptable.

We need to do whatever it takes to get at least half of our eight courses ranked in the top 10 in Arkansas; better yet the top 10 in the South or Midwest. Let's get some Pro Tournaments. Then we can call them "Championship" and mean it.

- Now, how about course operations? Let's ditch the very unpopular 'shotgun' starts during Winter season. If the course is going to be playable and open it needs to operate like normal. Lining up like children in a go-kart race might be fine for tournaments but for regular play all golfers like set tee times.

***Guess what? Lately they have recently started 'shotguns' in the Summer trying to save money. Wonder how that's working? Probably not well.***

Adjust the Winter opening hours as needed for frost days, daylight and the like. But, if there is not enough play for all the courses to be profitable during Winter let's just keep a few of them totally closed. What would be wrong with having only 3 or 4 courses open during the slowest time of the year? That way staffing costs will be reduced. Better yet, maintenance staff could spend Winter months repairing cart paths, fixing drainage issues, rebuilding bunkers, or whatever else needs fixing.

What about those periods of excessive rain? Why not close the courses for a day or two following a monsoon and let them stabilize? Why have a course open the day after or the afternoon of a heavy rain when only a handful of die-hards will come out? If we embrace sensible open and closed practices our staffing requirements can be

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more stable and employees more regularly utilized. The courses will benefit too with less deterioration.

This course closing idea applies to year round operations also. Why keep all courses open on any given playable day so that a light volume of play, which would keep only four courses profitable, is spread over eight? This makes no sense. Maybe we should rotate which courses are closed every week, or every month or on certain days. Once we get the total volume of play increased to keep all courses busy and profitable, then keep them all open for every playable day possible.

- Let's also take a look at how we are managing our largest asset and amenity. We currently have two Director positions running the show, a Director of Golf and a Director of Agronomy. We now also have a Chief Member Experience Officer (CMEO) supervising the Directors. This sounds impressive but is it really what we need? No! Top heavy to a fault.

Director of Agronomy? Many of our course superintendents have degrees, education and background in agronomy or related fields. They are also the ones out there on their individual courses every day. Aren't they the ones who should be calling the shots on course conditions, closed days, cart path only days, etc.? Don't they know what type of herbicides or fertilizers we need?

What about the Director of Golf? Our Director is a PGA Professional and that's great. We need people with those qualifications to help market our golf programs, supervise tournaments, keep up with the rules, monitor our course ratings, give golf lessons and hob-nob with the low handicappers. The question is why are we paying a Golf Director's salary and also providing him with the franchise to the pro shops' retail business? And then he (they) - we also have two other PGA Pros on staff - additionally get the prize of having their own private lesson monopoly?

How can we expect our Golf Director to manage the overall operation effectively while at the same time having other competing and possibly conflicting interests? From a traditional golf perspective this

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may be the way it has been always done but it does not make sense in the modern business world for an organization losing \$2 million per year. It needs to be looked at - and fixed!

- Then there are the golf shops, the folks taking the money, cleaning and gassing carts, the on-site gate keepers to the courses. The word on the street is that there is no consistent and organized training for the golf shop staff and practices vary from course to course. The word is that worker hours are erratic and poorly scheduled. In some cases the "manager" covers more than one course which seems impractical since he can't be two places at once.

What about the idea of having a "Starter" on every course rather than put this burden on the manager or clerk behind the counter relying on video cameras? A "Starter" with some authority could prevent a two-some going out in front of a four-some, could divert players to start on the back nine if needed to avoid bottlenecks and generally be sure late arriving players don't mess up the rotation. Why not? It works at most other golf courses and it would help keep those Outside Golfers, who are unfamiliar with our layout, from getting lost or starting off on the wrong tee. Whatever!

- Finally, here's a story that makes no sense. On a recent Saturday in June a group of Villagers scheduled a neighborhood scramble. They do this monthly, all on their own, no help from the golf department. There were six teams of four players, all Members. About half are 'Annuals' and the rest are Daily Fee players. The tee times were consecutive and spread out with three foursomes prior to 1pm and three after.

So, guess what? Some of the Daily Fee players got slotted into the before 1pm tee times in the computer when the tee times were scheduled. One of those Daily Fee players asked the pro shop clerk if there wasn't a way to switch out with one of the several 'Annuals' who just happened to be in an after 1pm slot. That would have saved that Member \$10.00 on that particular day thanks to the after 1pm "twilight" pricing scheme. Seems like an innocent enough request; a nice courtesy to a Member.



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But, no. Not possible according to the clerk. Once it is in the computer there is nothing he can do. Sorry, tough luck. Now, keep in mind that the six foursomes are adjusted by the group so that handicaps are equalized. Nobody is trying to be before or after 1pm, it just happens that way. Wouldn't you think that the POA might want to accommodate Members just a little?

The fact is that this type of (lack of) management is the type of thing that discourages Members from playing more.

# A New Plan

## Appendix 1 Summary

- Golf and golf marketing has to be our savior for now.
- Golf needs to become a profit center throwing off cash to support other amenities which have no potential to self support.
- Losing money every year on golf has to stop and the only way to stop it is with volume of play.
- Volume of play can only increase with proper management, marketing, pricing, and promotion along with improving the overall value proposition of HSV golf.
- Once we get ahead of the game, and the new rooftops and lot sales begin to contribute, then perhaps we can think about scaling back outside play or gently increasing Member fees, etc.
- Golf quality in Hot Springs Village needs to greatly improve.
- Our overall Player value must be so good that Member Players decide to play more and Outside Golfers can't beat the value we provide them here as compared to their home course.

Thank You for Reading