

HSV POA Treasurer's Report

May 20, 2020

HSV Treasurer's Report

- Appointed treasurer of the HSV POA on April 15.
 - Attended my first official meeting in that capacity on April 20, 2020.
 - To that date, I had not been provided necessary technology nor necessary information for that meeting.
- On April 21, requested information in order to properly evaluate the financial condition of the POA.
 - These items are the minimum requirements.
 - Assess where we really are, how we got there and how we get to where we want to go.

HSV Treasurer's Report

- This is the list of requested documents:
 1. A copy of the accrual policy that addresses revenue distribution.
 2. A report on the make up and value of current deferred revenue.
 3. A copy of the accrual policy that addresses expense distribution.
 4. A report on the make up and value of any accrued expenses or any non-current expenses being recognized as a result of other accounting principles.
 5. A copy of the HSV Chart of Accounts.
 6. A copy of the monthly financials compared to prior year and plan. This should show the plan and prior year by month for the rest of the year as well as the past months and the actuals by month YTD. Please let me know if you need help with such a document.
 7. If not included in point 6, departmental expenses by month against plan and prior year. This should show the plan and prior year by month for the rest of the year as well as past months and the actuals by month YTD. Please let me know if you need help creating a spreadsheet for such a document.
 8. A copy of all group bookings in place for the rest of the year at all facilities and a comparison to bookings levels at this time last year.
 9. An outline of all marketing activities for the balance of the year that may impact attendance.
 10. A complete list of all employees and their titles. Also, please group these by in which department each of the employees is expensed.
 11. A list of all travel planned for the year and identify non-cancellable travel. Please provide projected expenses for such travel to the end of the year.
 12. A complete list of all capital projects for the year and the current status of all the projects.
 13. A list of any rollover funds allocated to 2020 capital or operating expenses and the current status of those funds.
 14. A list of any empty positions and the pay rate associated with them.

HSV Treasurer's Report

- None of the information was unusual.
 - Every good manager should have this information readily available.
- Our Board Chair also requested the information be provided and also sent an e-mail to the CEO on May 1 requesting that she comply with the request.
- To date, it has not been provided and request was renewed on May 15 to Ms. Mathis following the Discussion Session on May 13.

HSV Treasurer's Report

- Based on the lack of responsiveness for information requests, I remain extremely concerned that financial monitoring is not being adequately done.
 - There, apparently, is no daily report being provided to location, department and POA management of revenues and usage of the amenities.
 - There, apparently, is no payroll monitoring system in place.
 - No comparison to FT qualifications standards.
 - Payroll is, apparently, not budgeted by day, week, month.
 - No comparison to budget expectations except estimates and at year end.
 - Budgets are annualized only, no published monthly budgets.
 - Some reference has been made to monthly review information but nothing has been provided.
 - There is no early warning process in place.
 - Being able to review transactional information if they wish is not the same as a systematic approach to managing the business.

HSV Treasurer's Report

- Ad Hoc Budget Committee
 - Five members.
 - Issued report in October, 2019 with a number of recommendations that were vetted during the meetings over the 10 weeks of existence.
 - Approved by a vote of 4 to 0 with one abstention (Ms. Mathis).
 - Copy of the report has been distributed with the Treasurer's Report in the Board information on the website.
 - While some effort was made to implement some of the recommendations, the report remains largely unused but provides tremendous guidelines.
 - Budgeting remained overly optimistic.
 - Financial reporting remains inadequate.
 - Etc.

HSV Treasurer's Report

- Ad Hoc Budget Committee's Report will be addressed by the Finance and Planning Committee to implement the recommendations.
- F&P Committee formation has progressed.
 - Two of my three fellow Ad Hoc Budget Committee members have joined.
 - Eight current members and awaiting confirmation on the ninth.
 - CMPAC Rep to Ad Hoc Budget Committee is the Vice Chairman of the F&P Committee.
 - Tom Heau
 - Marketing Sub-committee will be formed this week.
 - Three former CMPAC members on the marketing group will be asked to continue.
 - Other current MSC members will also be asked to continue.
 - Work Groups – We prefer to have the flexibility of work groups rather than all formal sub-committees.
 - CMP review for salvageable parts – Three members.
 - Policy Review – One member now but will be expanded.
 - 2021 Budgeting assistance – Two members working with Liz.
 - 2020 Budget adjustment recommendations – One currently but will be increased to two.
 - Others TBD.
 - We love volunteers.

HSV Treasurer's Report

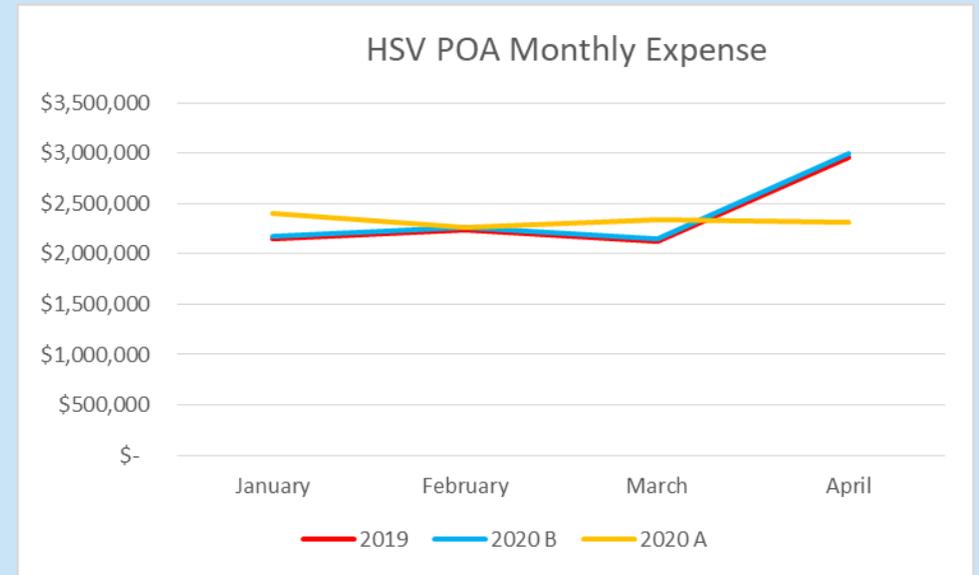
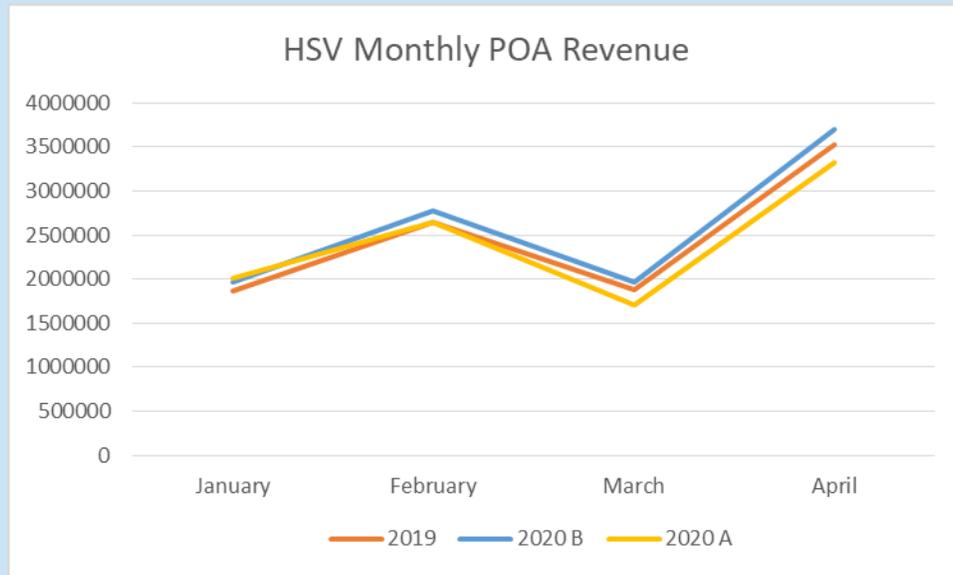
- Critical Early Pieces
 - Treasurer's Job Description today.
 - Financial Policy due to the Board by June meeting.
 - Procurement Policy due to the Board by June meeting

HSV Treasurer's Report

- Please note the following charts are based on calculations from the monthly financials provided by the POA.
- I am unable to verify the accuracy of the POA numbers and rely solely on the staff representation that these numbers are fair and accurate.
- These reports use 2019 as a proxy for the trending of budgeted 2020 revenue and expenses. No monthly budgets have been published by the POA so we are forced to estimate what the actual numbers should be based on 2019.
 - References to budget assume the trending of budgeted numbers for 2020 follow the same approximate pattern as 2019 actuals.
- Worksheets are included in the appendix for additional reference, if desired.
- Please note:
 - Red lines denote 2019 actual.
 - Blue lines denote 2020 calculated budget pacing.
 - Yellow lines denote 2020 actual revenue and spending.

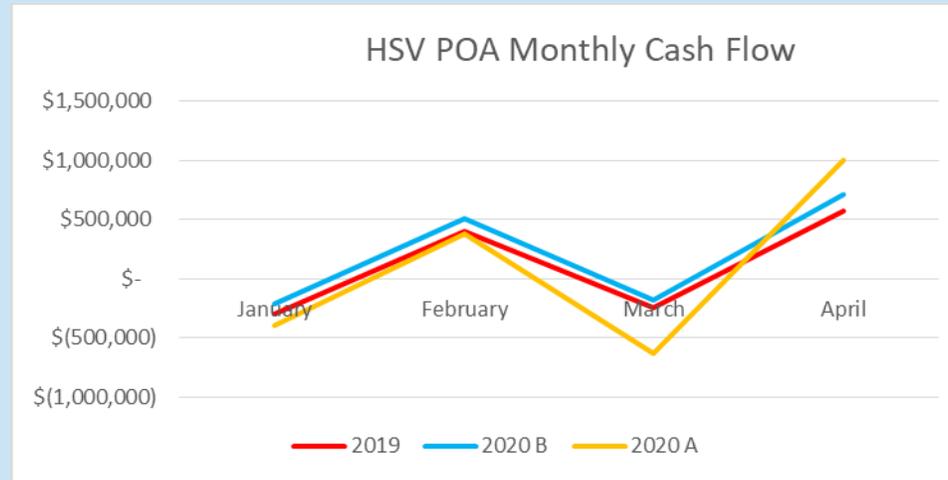
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- Financial Performance -- Monthly Revenue and Expenses through April compared to 2019 and 2020 Budget



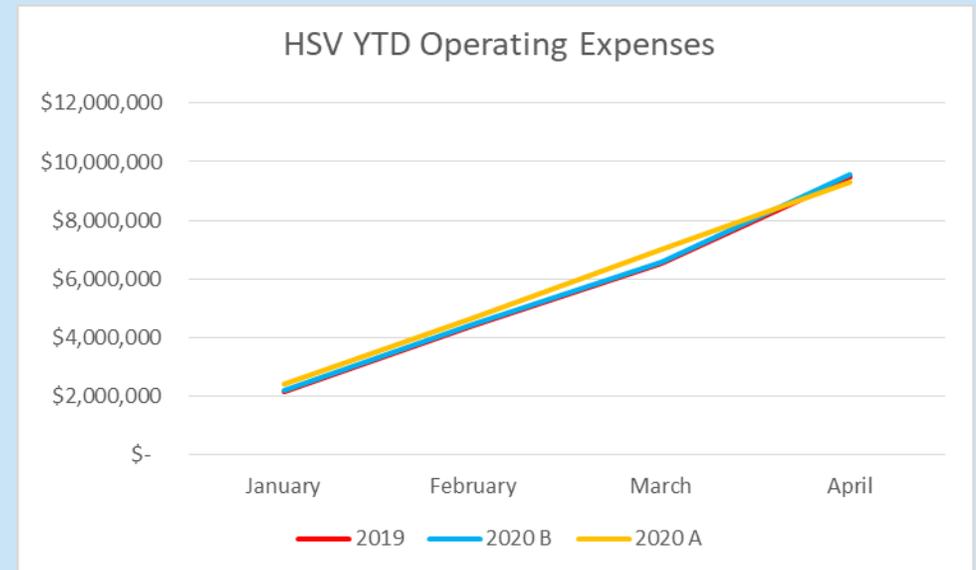
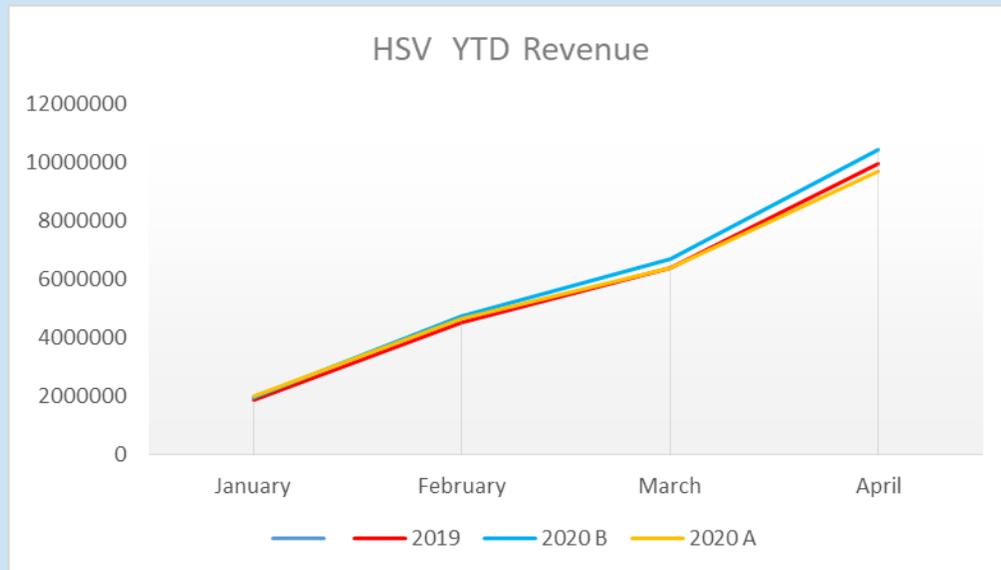
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- Financial Performance – Operating Profit monthly through month of April compared to 2019 and Budget. Our best performance was during the height of the pandemic lockdown when many facilities were closed.



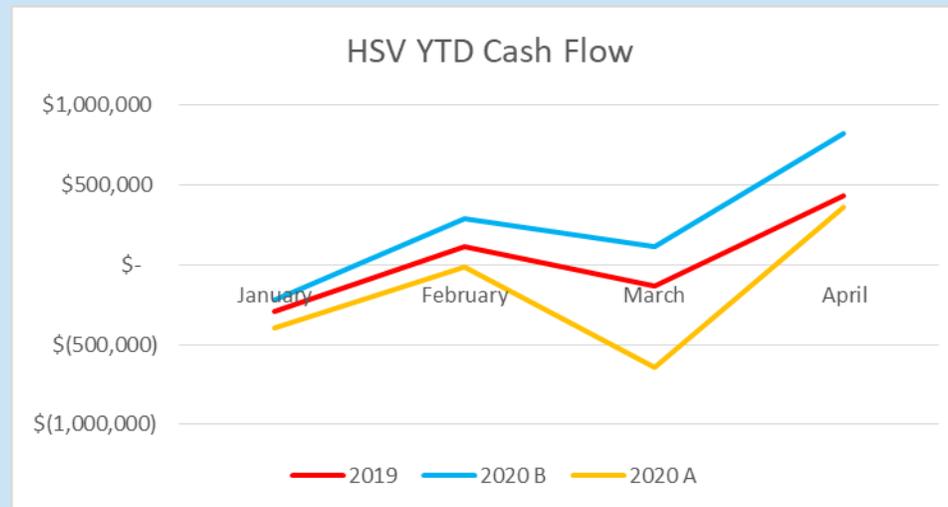
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- Financial Performance – Annual revenue forecast of \$35,757,081, +\$1.6 million versus 2019, and expense forecast of \$30,442,747, an increase of \$292,636. Current spending under budget by \$255,344 after not operating for much of April and revenue lags behind by \$714,521. FYI, YTD March expense was over budget \$423,265.



HSV Treasurer's Report

- YTD Financial Performance – Budgeted annual positive operating performance of \$5,314,334, an improvement of \$1,352,691 versus 2019, an improvement of 34.1%. Currently at deficit of \$459,177 to plan YTD. Now must outperform 2019 by 40% to reach budget by year end.



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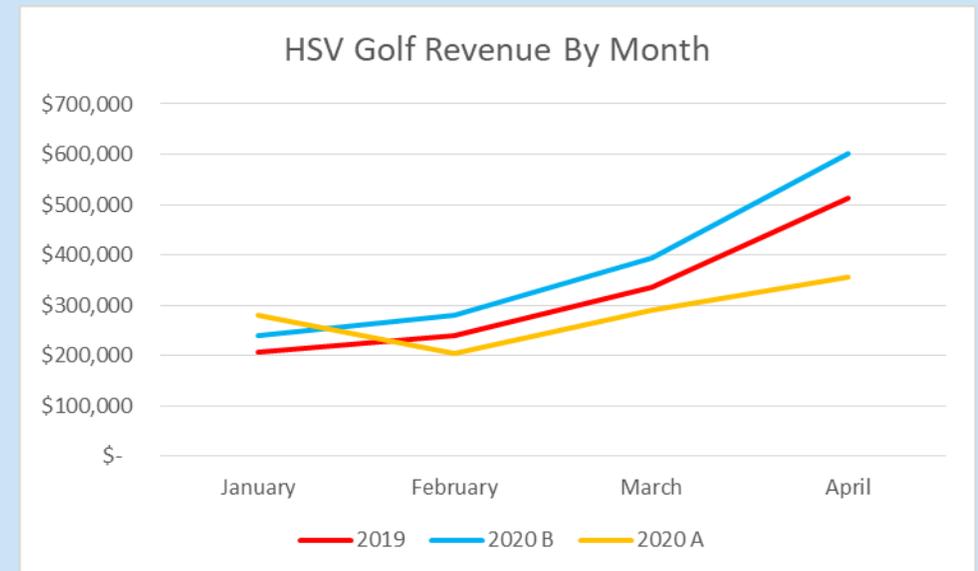
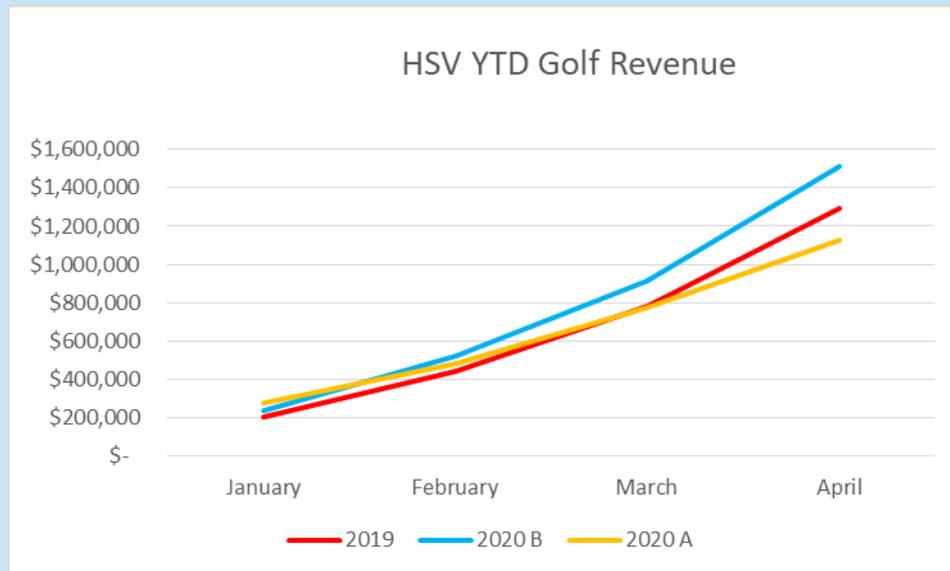
- Given the above, we see there are significant issues on the horizon.
- Particular concern is how the Golf and Food operations are performing and will perform in the future.

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- Golf showed poor usage despite the generally good weather experienced in 2020.
 - Only 40,610 rounds have been recorded versus 48,251 in 2019, a loss of 16%.
 - Reportedly some improvement in May before this past rainy weekend.
- The POA reports a reduction of playable days of 166 versus 2019, a loss of 23.2%.
 - This is primarily because we scheduled to be closed 204 more days than in 2019.
 - For instance, on the last Sunday in April, three courses were closed despite excellent weather.
 - Many golfers were turned away on that Sunday.

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- Golf Performance – Budgeted annual revenue of \$6,720,216, an increase of \$980,608 versus 2019. Currently, \$384,721 behind revenue budget YTD. Requires an improvement in revenue of more than \$1.15 million, +26%, versus 2019 to reach targets.



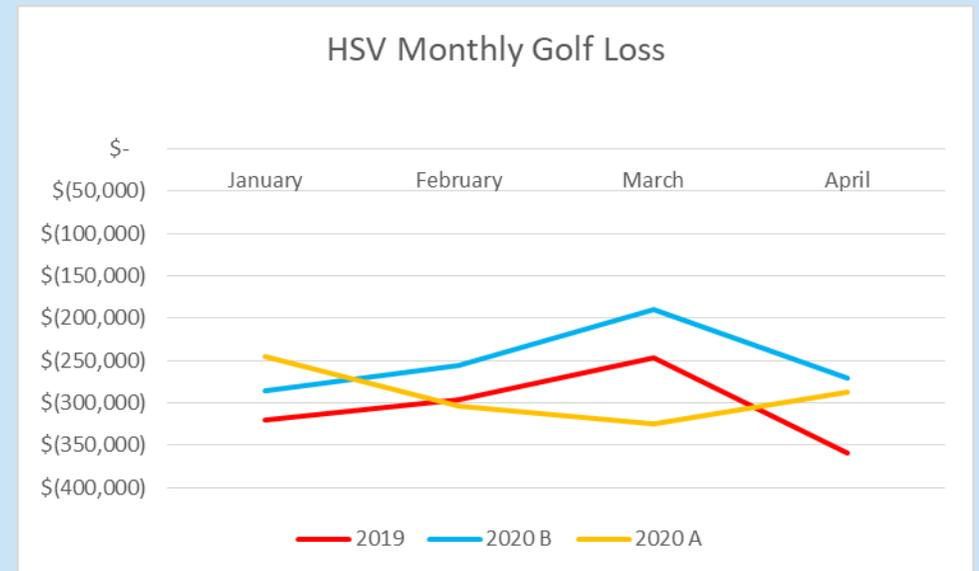
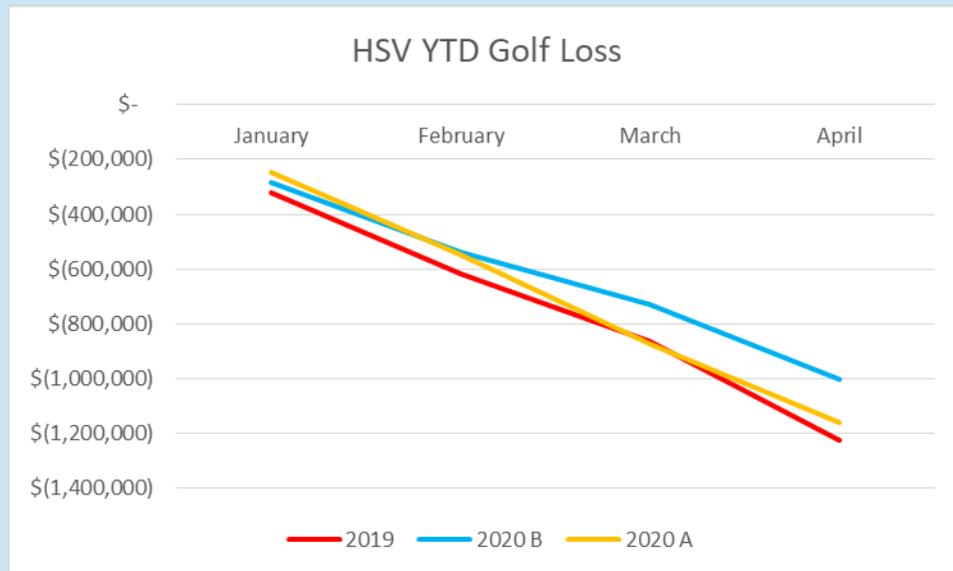
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- Golf Performance – Golf expenses projected to be \$7,830,008, a reduction of \$1,034 versus 2019. YTD spending is \$225,700 below Budget pace. All the savings are in April.



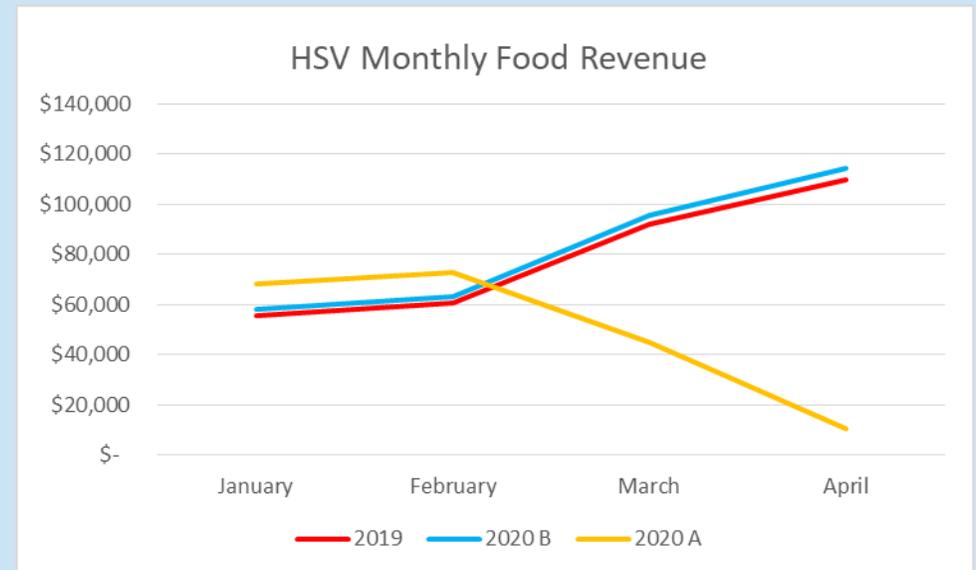
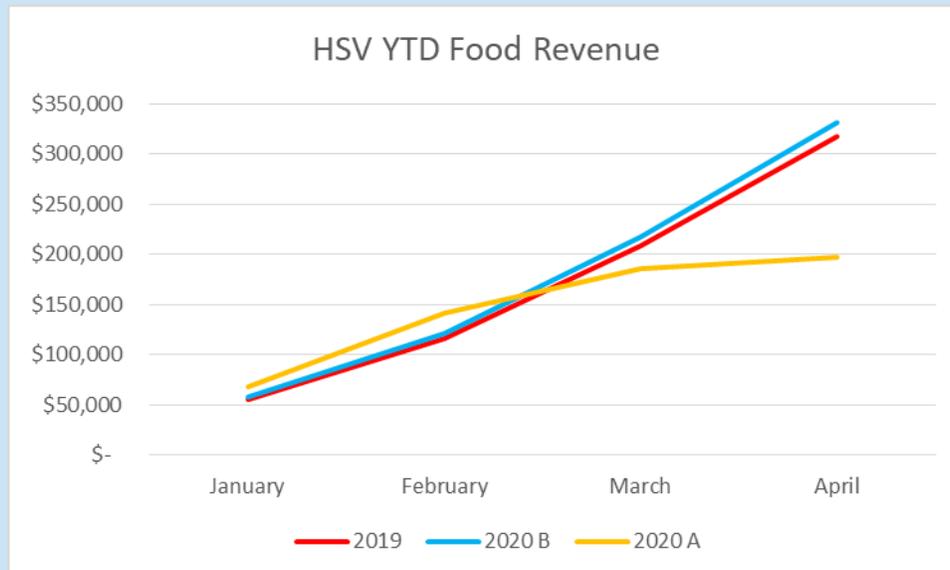
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- Golf Losses -- Budgeted annual subsidy of \$1,109,792, a reduction of \$981,642 versus 2019. Current level is \$1,160,986 loss YTD, \$159,022 off budgeted pace and already exceeding YE forecast. The rest of the year must run at a profit to reach budget.



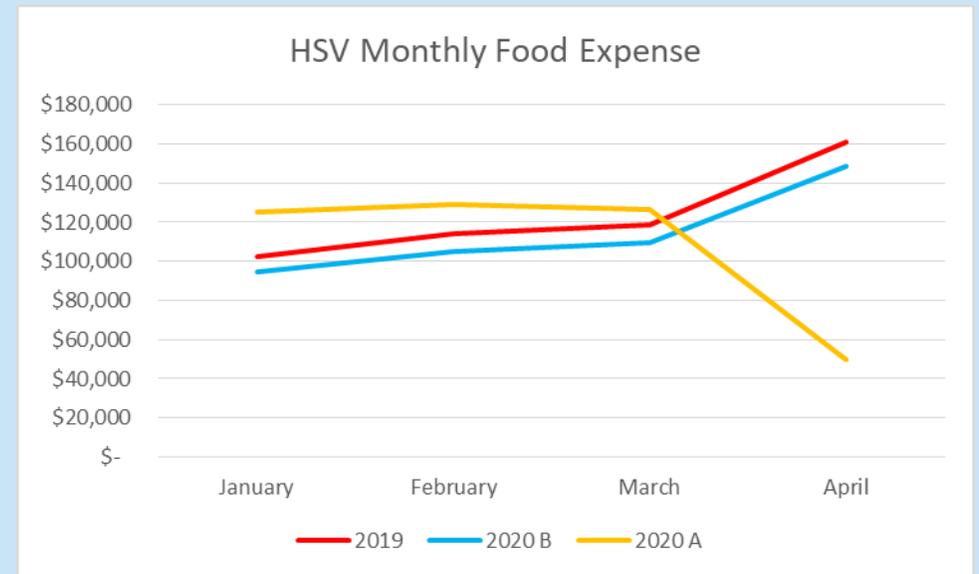
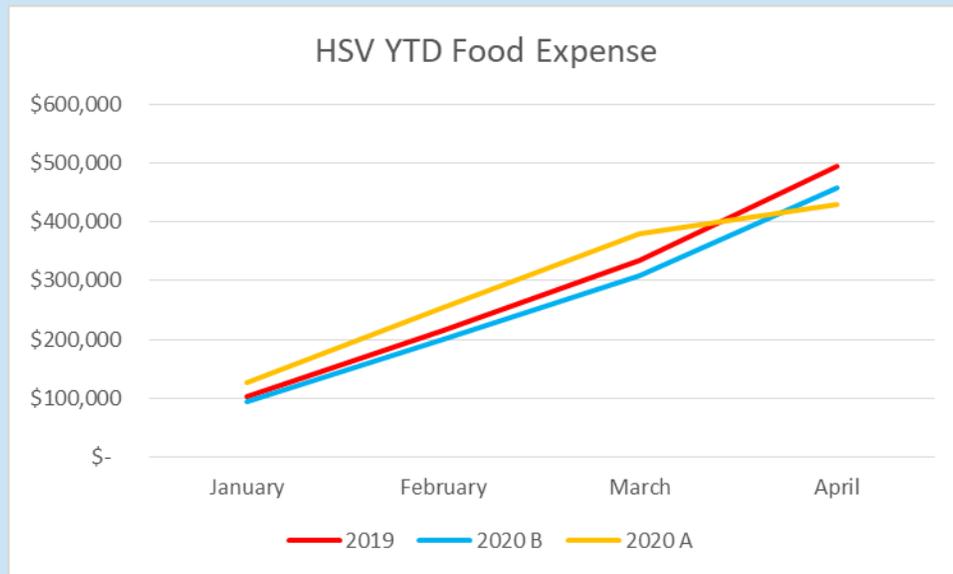
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- Food Performance – Budgeted annual revenue of \$1,275,537, an increase of \$53,366. YTD revenue is \$134,380 off the budgeted pace. Note the food operations apparently did not operate at all in April and potential carry out sales were not received.



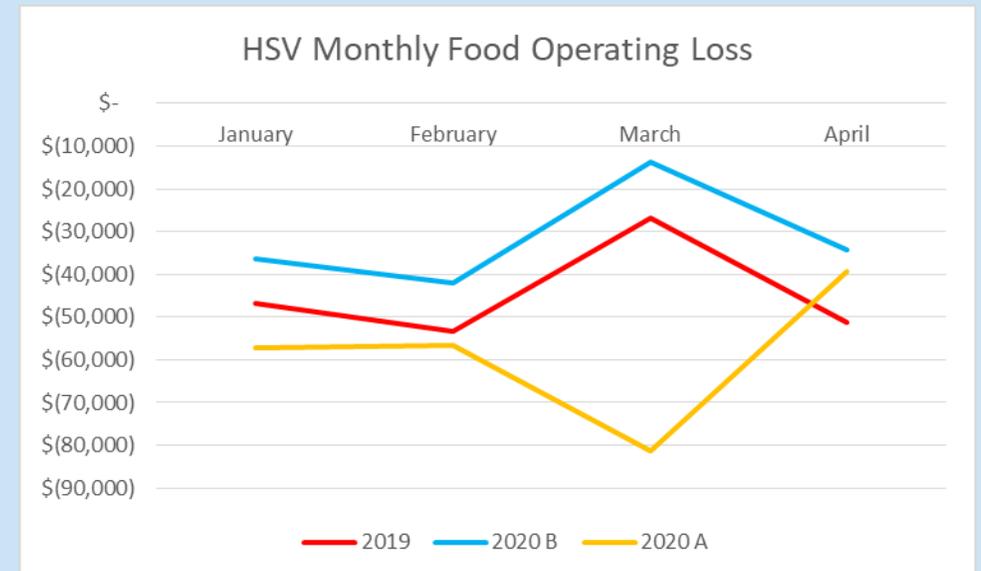
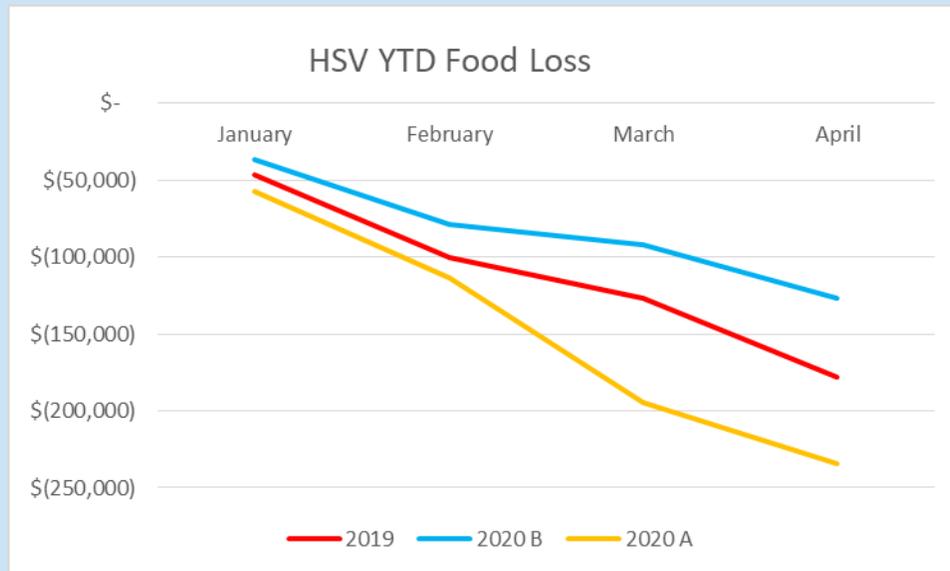
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- Food Performance – Annual Food Expenses budgeted to be \$1,648,446 but were running 23.2% over budget pace through March. In April, closed operations reduced expenses to bring expense under budget pace for the year.



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- Food Loss – Budgeted loss from food operations was \$372,909, an improvement of \$189,524 vs. 2019. YTD performance suggests deficit will grow instead with current deficit of \$107,690 to budgeted pace and \$56,024 to PY. The only month close to budgeted levels is the month the restaurant operations were closed.



HSV Treasurer's Report

- Golf appears destined to fall well below the budgeted performance.
 - Revenue was budgeted at unusually high levels as was pointed out by the Ad Hoc Budget Committee
 - Expenses were running at budget levels
 - Revenue 7.2% below budget before the impact of COVID 19 at end of February
 - Revenue budget is at risk for the balance of the year. Continuation of YTD level through February for the rest of the year would provide \$5.9 million revenue, an \$800,000 shortfall on golf revenue alone.
- Food is likely to end at or well behind the level achieved in 2019.

HSV Treasurer's Report

- Financial Results

- Operational Shortfall based on current Performance.

- Operational deficit pre-COVID 19 was \$200 to \$300,000 per month.

- Without re-direction, would result in \$3.2 million shortfall.

- Additional consideration must be given to annual pass holder treatment, not yet resolved.

- Lack of confidence to use amenities.

- Shutdown period.

- Capacity limitations on facilities (Fitness Center).

- Projected additional future impact on Financial Performance.

- Future revenue remains at significant risk.

- Other public attractions estimate visitation or usage will be down 20-30%.

- 15% reduction in variable amenity demand could amount to over \$1 million incremental shortfall.

- Scheduled closings of facilities are hurting revenues and usage. No estimate made on impact.

- Golf playable days reduced 204 days due to scheduled closings versus 2019.

- On some days, business was turned away.

HSV Treasurer's Report

- The following funds are available to offset the shortfalls noted:
 - \$3 million SBA loan
 - May be forgivable but currently is a low interest loan
 - \$1.5 million investments / Operating Reserves
 - \$1.0 million line of credit
 - It would be unwise to incur further debt to cover operating costs at this time
- The following reserves are restricted and should not be used:
 - \$1.288 million Public Utility Capital reserves
 - \$1.934 million Non-Utility Capital reserves
 - \$.162 million golf reserve fund

HSV Treasurer's Report

- POA Staff has recommended spending reductions of \$1.47 million.
 - COGS
 - Operational maintenance and repair
 - Building Maintenance
 - Roll-over Funding
 - Grounds Maintenance
 - IT projects
 - Golf equipment / facilities
 - Truck Replacements
 - Street Repairs
 - Public Utilities Improvements and Repairs

HSV Treasurer's Report

- Given the desirability of protecting reserve funds and with the suggested cost reductions and the SBA loan, we may not have to make further draconian changes on some expenditures
 - Prudence dictates that we minimize our risk and take action immediately to avoid reductions in our operating reserves if further difficulties are realized..
- Given the above and until such time as we are able to gain greater specificity on the potential impacts of COVID 19, I recommend the Board direct the CEO to take the following action:
 - Immediately develop and implement an aggressive sales effort for annual passes to all amenities.
 - This will require time payments and 12 month cycles for passes.
 - Provide the Board a weekly update on annual pass sales
 - How these sales are progressing
 - What are we doing to provide value for the downtime we have incurred
 - Develop and implement in the next 30 days an amenity lot sales program targeted to the surrounding communities.
 - Provide regular updates to the Board at least monthly on the progress of sales
 - Ensure no new hires may be added to the full time payroll.
 - Cancel all staff travel for the balance of 2020.
 - Resubmit any capital projects that are to move forward. Consider all capital projects to be unapproved.
 - No new contracts may be entered until further notice.
 - Ensure all roll over funds from prior years in all departments are immediately terminated and the related projects cancelled until re-submitted.
 - Make and submit to the board a list of potential reductions in the following areas:
 - Potential re-organization plan to increase efficiencies
 - Additional Capital projects to delay or cancel
 - Deferred maintenance delays
 - Reduction of capital or operating leases

HSV Treasurer's Report

- I look forward to your questions.

**Property Owners Association
Ad Hoc 2020 Operating and Capital Budget Committee
Meeting Minutes October 4, 2019 at 8 a.m.**

Present: Chairman Bud Hallinan, Vice Chairman Wayne Foltz, John Gonzales, Secretary Dan Aylward, Liz Mathis

CMPAC Representative Tom Heau was present.

Property Owners & Board Members in Attendance to Observe - 7

Chairman Bud Hallinan called meeting to order at 8:03 a.m. on October 4, 2019.

Minutes for the meetings on September 20 and 27 were approved.

The sole order of business today was the final report to the HSV Board of Directors regarding observations and recommendations on the budget process, procedures and other items.

Discussion ensued as the committee progressed item by item through the recommendations. At the end of discussion, the report as amended was approved by a vote of four yes and one abstention.

Meeting was adjourned at 8:59 a.m.