



HOT SPRINGS VILLAGE ANNUAL REPORT

2020/2021

*PREPARED BY
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MESSAGE FROM THE GM

2020 will certainly go down as a very transitional year and most likely the year of the century. The world was changed in almost every way. The Village did not escape this transition and the POA had to scramble to cope with all the life changes and patterns of everyday living. We had departments that were devastated financially while others showed impressive gains. Our indoor venues took the hit while the outside amenities flourished. Golf for example was the big winner while the Woodlands and meeting areas took the biggest loss. The staff did a masterful job of adjusting to the changes and scrambled to save money in every area across the board. The POA was granted a PPP loan that made our transition much easier. This loan is still awaiting forgiveness from the SBA, but we are confident that we over qualify in every area. When looking at the financial performance, at first blush it looks as if we weathered the storm very well. To see the real story, you must look beyond the current numbers to see the deferred maintenance that is the result of not spending for expenses and capital replacements that are sorely needed. Our roads and culverts need attention as well as rolling stock that is past its useful life. Much more on this will come from the current Finance and Planning committee that is studying this very topic. Staffing at the higher levels has been an issue this year. With the transition in upper management our current focus is on stability and regaining trust with the property owners. Our staff is dedicated to that end. They are an extremely qualified bunch and look forward to helping chart the course for 2021 and beyond.



Development

Development is strong in the Village, and new home starts are at their highest point in more than 10 years. In 2020, we had 93 new home permits issued, compared to 60 in 2019, and through March of 2021, we have issued 32 new home permits. We are seeing a number of new builders in the Village which is also a positive sign. Number of active residential listings as of March 31, 2021 (not including those with an active contract or escape clause) is 19. The average list price is \$359,275. Average days on the market is 59, but we are seeing many examples where houses are selling within a matter of days if not within hours of listing.

With the recent sell off of Cooper Reserved property, we anticipate a number of new residential as well as commercial projects over the next several years. Staff is working with each developer to navigate each project as it comes together.

Siega Neighborhood Development has proven to be a win-win for Hot Springs Village.

The project consisted of 24 residential lots sold to Renaissance Homes with a completion period for full build out expected in 36 months from close. To date, 19 homes have been built or are under construction and the remaining lots are expected to be built on before the end of the year. Moving our expected completion date from 36 months to less than 18.



Discovery Package Program

Our Discovery Package program continued to grow and expand in 2020 despite the pandemic. With virtually no Packages completed through the end of April 2020, the Discovery Package program boomed during both the summer and fall months totaling 133 Discovery Packages for the year. Our goal for 2020 was to book and complete 100 Packages. For a historical perspective, we completed 37 Packages in 2018 and 76 Packages in 2019. 2020 was the evolution and success of our RV Discovery Packages. Many of our Packages clients were delighted to bring their RV to Hot Springs Village and enjoy the wonderful RV Park we enjoy at the western most edge of Lake Coronado. Of the 133 Discovery Packages we sold in 2020, 48 took advantage of our Golf Discovery Package, while 85 Packages preferred to enjoy our other amenities.

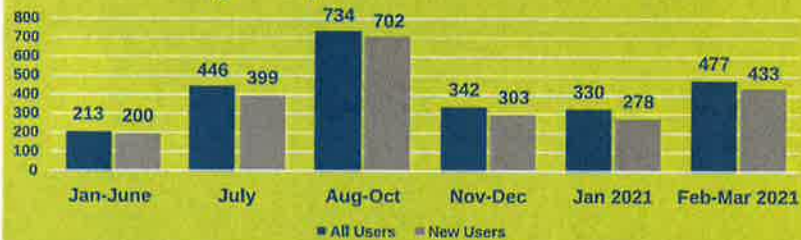
Marketing

2021 Marketing Results through March

Building Permits

2015 – 33
 2016 – 40
 2017 – 52
 2018 – 62
 2019 – 60
 2020 – 93
 2021 YTD – 32

Average Daily Non-HSV Website Visitors



Real Estate Partner Program Leads

YTD
267

Discovery Packages

2018 – 37
 2019 – 81
 2020 – 133
 2021 YTD – 52

Real Estate Market Trends

Homes Sold
 2019 – 696
 2020 – 824
 2021 (thru 3/31/21) – 155

Homes For Sale (on 12/31)
 2019 – 136
 2020 – 47
 2021 (on 3/31/21) – 19*

* Active listings not under contract or accepting backup offers.

Golf Packages

2019 – 248
 2020 – 341
 2021 YTD – 148

2021 YTD Revenue:
 \$300,297

Summary of explorethevillage.com website work in 2020 (marketing and members side)

A number of changes to our website occurred in 2020, making the user experience much more robust. We now have a platform where we can track leads and monitor the behaviors the visitors to our website. This gives our marketing team the data needed to continue shaping our message and marketing strategies. Some of the changes are:

- Designed and built new marketing website on Joomla Content Management System.
 - New design
 - Development on new CMS
 - Restructuring content for usability
 - New content creation. New Pages include Public Safety, Military Advantages, and Outdoor Adventures
 - Comprehensive Review and Editing of Legacy Content; elimination of outdated information.
 - Search Engine Optimization: Updated website copy for optimal results on search engines.
 - Helped select and edit photos for use throughout site
 - Focused on Calls To Action (CTAs) - Discovery Packages, Build A Home, Find a Builder -- Made these key CTAs available on almost every page of the site.
- Built comprehensive Event Calendar that can be updated by several team members
- Added Event Tracking tags to allow for reporting on most important CTAs. Event tracking tags allow us to view conversions in Google Analytics.
- Trained POA employees to make updates to the new website on their own
- Created custom “Front End” editing capabilities for some editors
- Assisted in segmentation and filtering of Google Analytics data (e.g, Non-HSV site users)
- Built a section within the new website to house Members information, eliminating the need for a separate website
 - Copying many dozens of pages of content and files
 - Re-creating many forms and testing them
 - Creating new members landing page with alerts and links to TotalE portal
- Created a new system for Gate Access
 - Creating a form for members to submit access requests
 - Adding guard admins
 - Allowing guards to add/edit/delete requests that the users made
 - Complex functionality that only shows the guards the last 10 days worth of records
 - Search and sort functionality
 - Backend access to all records for historic purposes with export functionality



50th Anniversary

Although the 50th Anniversary of 2020 didn't provide all that we had hoped for due to the COVID-19 pandemic, our kickoff celebration did occur in January. The 50th Anniversary Committee with Linda Mayhood as the Chair and Paul Bridges as the Vice-Chair did a spectacular job in late September of putting together a set of events that captured the essence of our Community. Laura Allworth, also a member of the 50th Anniversary Committee produced a wonderful 50th video that has been seen over 3,500 times. <https://www.youtube.com/watch?v=qFbtoXrflss&t=161s>, We were able to display proudly throughout the community banners and flags with our own unique logo celebrating our 50 years. We were able to start off the year with a very successful kickoff of our 50th year with property owners invited at the Coronado Center that brought in well over 500 attendees. We were able to launch our year long celebration by selling 50th Anniversary logoed merchandise including shirts, hats, wine glasses and other items to commemorate the joyous occasion. Although the pandemic took a grip on our community soon following the Open House, the team pulled together for a late September series of celebrations that included a Green Market, Arts in the Park Festival and the Hot Springs Village Community Fair. There was an awesome display of fireworks late in September that captured the spirit of our 50th Anniversary. The cap off event held on Saturday, September 26th watched as Balboa Beach come alive with a 50th Anniversary 'family day' that included live music shows and culminating into the final act by Colt and the Old 45's. The only event that was unable to happen was the Founders Day Lunch Celebration that was to include many dignitaries from present and our illustrious past. Considering that 2020 was a historic year globally, we were still able to put on a party and celebrate our wonderful history here in Hot Springs Village.



Food & Beverage

As the Board is aware, our restaurant subsidy in 2020 came in at more than \$804,000. Staff has taken steps to reduce that subsidy and move back to the model of outsourcing our restaurant operations to third party vendors with a proven track records of success in the Food and Beverage Industry.

In February of this year, we signed lease agreements with Xplore Restaurant Group, LLC for operation of the Desoto Club, Granada Grill and Cafe Isabella. Troy and Patricia Mckee operate the Ponce de Leon “Mulligans” restaurant and Carl and Iva Duncan operate the Cortez “Rafaella Rose” restaurant.

POA continues to operate Balboa Club, Magellan Deli and have recently taken back over the Coronado Grill.

Our intention is to monitor these three outlets closely and where possible look for opportunities to outsource or modify the business model to further reduce POA subsidies in this area.



Economic Impact Study

The Governmental Affairs Committee has traditionally been responsible for coordinating the production of a study on Hot Springs Village’s Economic Impact to both Garland and Saline Counties. The last study was produced in 2016. The Committee with Board and Staff support have contracted with the University of Arkansas to begin updating the report. Census results are running behind schedule due to COVID-19 but are expected later this year. We hope to have a revised report by January 2022.



Committee Structure

Three Standing Committees were established in 2020. Common Property, Forestry and Wildlife, Marketing, and Finance and Planning. Staff is anxious to work with the new Board to evaluate all our committees, charters and expectations for the coming year.

COVID-19



2020 has been quite the year for the POA. COVID-19 has had a substantial impact on our business as we cover many different aspects within our organization. We have seen a dramatic decrease in our indoor activities resulting in larger than usual losses in some areas while our outdoor activities thrived due to the situation. The POA has been very mindful of the impact these effects could cause and did an outstanding job on controlling expenses to help offset the decrease in revenue. The overall revenue came in \$1.59 million under budget for the year and expenses were kept at \$2 million under budget. The overall net income for 2020 was \$1.9 million greater than 2019 actual, a 49% increase. A great reflection of this is the Golf subsidy reduced from \$2,091,449 in 2019 to \$588,877 in 2020, a decrease of \$1.5 million. Our overall cash position ended \$7million higher than 2019 year end, excluding the PPP funds received we still reflected \$4 million over the prior year.

We received \$3.089 million for the PPP loan early last year. We have completed the application for forgiveness, and are currently still waiting for a determination from the SBA. The SBA is behind on processing which has extended the expected timeframe for completion; however, expenses were reported fulfilling the requirements and we expect full forgiveness.

Lake Dredging (Granada, Estrella, Desoto)

Lakes Management staff visit all coves on lakes that are planned for dredging. In the process, sediments are probed for depth, and material volumes are calculated from these measurements. The dredging of HSVPOA Lakes is both contracted out and done in house. The calculation for the sediment volume of Cove #11 on Lake Granada was 1,472 cubic yards, with an average sediment depth of 8-9 inches across the cove. During the dredging process, staff and contractors are expected to remove material to the original lake bottom. During the dredging of Cove #11 on Lake Granada, the contractor found an average of an additional 18 inches of material under a 3-inch hard crust layer that had not been originally measured or quantified with the dredging planning process. With planning for hydraulic dredging in more than 100 coves to this point, this is the first instance of a crust layer. The contractor continued with dredging to the original lake bottom until realizing they had pumped much more material than was expected from Cove #11. At this time, the contractor has already removed 1,928 cubic yards, with 500 cubic yards remaining near the western end of the lake. The removal of the remaining material completed the dredging of all material that washed into Lake Granada. The Lake DeSoto drawdown is underway but has experienced some setbacks. With various weather events and past equipment issues, Lake Department staff are behind original schedule. For those reasons, the drawdown to reach all coves targeted mechanically was extended to March 29, 2021. The valve is now closed.

Drawdown Schedule
2020 – 2021 Lake DeSoto
2021 – 2022 Lakes Pineda and Isabella
2022 – 2023 Lake Cortez
2023 – 2024 Lakes Maria and Sophia
2024 – 2025 – Lake Coronado
2025 – 2026 – Lake Balboa
2026 – 2027 – Lakes Granada and Estrella



Waste Water Treatment Improvements

ETI Services was selected as the general contractor for installation of the major components to the WWTP Maintenance and Improvements Phase II, which included a new chemical bulk feed system, clarifier drive for the second clarifier at the Cedar Creek WWTP, and a new rotating disk filter at the Mill Creek WWTP. Engineers included a Phase III design for a new Ultraviolet Light Disinfection System at the Mill Creek WWTP which was budgeted in the year 2020's capital budget. All were completed and are 100% functional and online.



North Garland County Regional Water District Agreement

Under the Wholesale Water Customer Agreement, North Garland County Regional Water District (NGCRWD) will sell treated Water to HSVPOA under emergency situations at such wholesale rates that are established by the NGCRWD water rate ordinance. The sale of water will be through a meter that will be installed and maintained by HSVPOA. Flow of water is entirely controlled by NGCRWD. This agreement is in affect for an indefinite term unless either party decides to terminate the agreement.



Gates / Security

Contract - Hot Springs Village Property Owners Association executed a 5-year fixed price contract with Securitas USA on February 3, 2021. The contract effective date was March 4, 2021.

Gate Operational Changes - The contractor operating under a contract Statement of Work, has implemented many changes in ingress procedures pursuant to HSVPOA policy. Operational changes include monitoring of the right lane to prevent improper usage. Securitas is providing access to HSVPOA electronic reporting system and guardhouse camera monitoring.

Gate Physical Changes - Among changes to help slow down traffic and provide better safety for security officers, the Streets Department will be making some changes in lanes. We will duplicate these changes at the east gate when proven successful. We have also just completed a floor remodel and are working on some IT improvements. The Code Enforcement Department, and Compliance Division, will be conducting routine monitoring (announced & unannounced) and report to Securitas on a regular basis.

The Transition - The transition from the previous vendor to Securitas USA Security has been considered very good. Securitas USA is working closely with Code Enforcement to identify ways to implement needed changes. Securitas USA has had a District Manager onsite weekly to assess performance and make needed changes.

Audit and Finance

Our financial audit is wrapping up for the 2020 year. There have been no major issues cited and we expect a clean audit report. This was presented at the April board meeting.



There have been many changes taking place across the organization in regard to improvements and efficiencies in a multitude of areas. These changes benefit both the POA and members alike. Many new processes have been implemented for improved financial tracking and reporting purposes. A multitude of departments have made improvements ranging from energy efficiency, infrastructure improvements, and improved financial awareness. These improvements are continuing into 2021, some of the exciting changes in the process are the Total E upgrade on the member portal. This project is scheduled to be completed by the end of April. This modification provides many improvements to the user experience, such as making reservations and viewing the property statement online. We are also in the final stages of implementing the paperless accounts payable system. This will allow us to become much more efficient, approve all purchases beforehand, and have access to real-time budget and expense tracking for departments all at their fingertips. Expenses continue to be reviewed for savings, the IT dept. has made great strides in reducing our communication expenses without jeopardizing our services, already saving thousands of dollars that can be better utilized. These actions combined with other improvements will help lead us to a more financially stable future.



Balboa Club

The upper level of the Balboa Club has been closed since 2013. Several studies have been done, and proposals made for the renovation of this building and addressing the much-needed golf course improvements. In 2019, a board decision was made to begin collecting a surcharge to fund future golf course improvement projects. Staff has put together a plan that will be presented to the Board during the May retreat that addresses the golf course needs as well as renovations to the interior and exterior of the clubhouse. The project would begin in 2021 and be finished in 2024. The surcharge could fund the project estimated at \$4 million dollars and be fully paid for by year end 2027 with no need for outside financing.



Board Election

The 2021 Board of Directors Election process was overseen by an independent third-party election service. HSVPOA contracted with The Inspectors of Election (TIE) who performed a hybrid (electronic/paper) election. Members in good standing as of February 26, 2021 received an election package containing voting instructions giving members the option to vote online or by paper ballot.

There were five positions for the Board. The five candidates receiving the most votes cast were elected. The Inspectors of Election tabulated the votes and provided certified election results to the HSVPOA Board Chair. Results of the 2021 Board of Directors Election are as follows:

Chris Jones 5,369 votes (3-year term)
Robert McLeod 5,231 votes (3-year term)
Gary Belair 5,183 votes (2-year term)
Pam Avila 4,865 votes (1-year term)
JoAnne Corry 4,573 votes (1-year term)
Linda Anderson 4,361 votes
Marcy G Mermel 3,655 votes
Peter Kirk Denger 2,986 votes

Terms were determined in accordance with Bylaws Article VII Section 3.