

HOT SPRINGS VILLAGE PROPERTY OWNERS' ASSOCIATION ANNUAL MEETING MAY 7, 2007

MANAGEMENT REPORT

A Vision Statement was adopted by the Board of Directors in 1999 that was intended to describe what the Village would be like in twenty plus years into the future. The Vision Statement reads as follows:

A progressing world class, gated, full-service community offering active recreational and cultural opportunities for all resident and non-resident property owners in a rural, scenic environment.

It is my pleasure to report that during the past year the POA has continued to live up to this vision. This report highlights progress that has been achieved and is ongoing as evidence of pursuing this vision.

1. Coronado Fitness Center

The Coronado Fitness Center has seen a \$2 million expansion and facelift which became operational in January 2007. Both the annual membership and daily usage has seen significant increase. Parking and landscaping efforts are nearing completion. The landscaping between the Coronado Fitness Center and Coronado Community Center has been enhanced through the generous contributions of property owners exceeding \$20,000. This will allow a water feature and other enhancements that was not possible within POA's budget.

2. Coronado Fire Station

Last Fall the POA acquired a slightly used (demonstrator) pumper truck at a savings of about \$100,000 under the budget. This fire pumper truck along with three new fire fighter employees will eventually be assigned to the new Coronado Fire Station which is nearing completion. This project was one of several that was committed under the increased assessment program that was approved by the membership in 2004.

3. 9 Hole Addition to Isabella Golf Course

The 9 hole addition to the Isabella Golf Course was completed and open for play last August. The original 18 hole course continues to be ranked as the No. 1 private golf course in the state of Arkansas.

4. Cortez Golf Course

The Cortez Golf Course and the Cortez Clubhouse facility have been closed since last December for major renovations which are ongoing at this time. It is anticipated that the Clubhouse will be reopened in June 2007 with the golf course to be reopened sometime in 2008.

5. Golf Course Renovation Surcharge

The golf surcharge has continued to be collected and is now being used to support the POA's expense relative to the construction of the Granada golf course. As of April 30, 2007 \$1,078,167 has been collected toward a total POA expense for this course of \$3,431,658.

6. Information Technology

The POA staff, along with the excellent assistance of Mr. Tom Elliott, is continuing to implement a two year upgrade of its computer software programs. The Chelsea software program has been implemented that provides for tee time reservations and our point of sale system. The membership records, the accounting

and financial packages and other software enhancements are anticipated to be complete within the next year.

7. New Housing Starts

2006 saw a new recent high in housing starts at 303 representing the fifth highest number of housing starts on record. This brings the total number of housing units in Hot Springs Village at the end of 2006 at 7,943. The Public Works Dept. has kept pace with this increased number of housing starts by ensuring that utilities have been extended to them in a timely fashion.

8. Street Maintenance

The Public Works Dept. continues to carry out one of its important missions of ensuring that the streets of the Village are well maintained. During the past year 9.32 miles of streets were treated with asphaltic overlay and 9.18 miles were treated with a slurry seal.

9. Trails Development

The Public Works Dept. also has extended the Hernando Trail .4 miles from Viajero Drive to Danville Road last May. In addition our crews have completed 1 mile of a 2 mile extension of Hernando Trail from Ponce de Leon East to Ponce de Leon West. Construction has already begun on the second mile.

10. Wastewater Projects

In 2004 the POA issued \$4,000,000 in sewer revenue bonds of which \$3.7 million was available for needed sewer projects that were planned over a three year period. To date \$3.56 million has been spent with contractual obligations at the Mill Creek and Cedar Creek Treatment Plants that will complete the projects supported by this bond issue.

11. Forest Management

The Forest Management Plan was advanced during the past year by the continued thinning of large pines from the common properties located in sixteen subdivisions. A total of 4,100 tons of pine trees were removed that will allow younger pines and hardwoods to grow. The tonnage removed netted over \$175,000 to the POA which has been placed in the capital development reserve account. The Board has recently authorized a further contract with Anthony Timberlands, Inc. to selectively thin common property pine trees in an additional 16 subdivisions.

12. Commercial Fees

Both the Research and Special Projects Committee and the Board of Directors wrestled with a program to provide a reasonable structure of fees above the basic assessment fee relative to commercial properties in Hot Springs Village in advance of CCI selling its commercial holdings within the Village.

13. Ambulance Service

Negotiations are ongoing for the POA to assume the responsibilities of Cedar Mountain Ambulance Inc. in providing ambulance service to Hot Springs Village. The transfer of this responsibility to the POA will allow the POA to implement a mandatory charge on its utility billing to ensure that ambulance service can continue at its present level.

14. Animal Shelter

An expansion project has officially been approved by the Board of Directors for the animal shelter which will be completed within the next twelve month period. The POA has also worked with the Animal Welfare League on this project as well as placing into writing an operational agreement between the POA and the League.

15. State Legislation

The POA staff and the Governmental Affairs Committee succeeded with the help of Senator Terry Smith and Representative Bill Sample on a bill that eventually became Act 144 and will allow property owner associations in unincorporated areas to seek ordinances from their respective county governments that

would affect only the property owners' association. Ordinances must concern itself with health, safety and welfare issues and would only be considered by the county based upon a written request from the property owners' association.

16. Board Election Process

Several changes were instituted in the Board election process this past year. The most significant of which was to engage an outside auditing firm to count the ballots and report the results.

17. Non-Resident Survey

A non-resident survey was conducted with 13,675 surveys sent and 3,541 returned for a 26% response rate. 48% of those responding indicated that they plan on moving to the Village and 60% of this number indicated that they would be doing so within the next five years. Responses to the survey came from 47 states and 10 foreign countries.

18. Promoting the Village

Hot Springs Village continues to provide leadership with the Arkansas Coalition of Planned Communities as well as involvement with the Community Associations Institute and the Community Managers International Association. Assistant to the General Manager Linda Mayhood was also elected President of the American Association of Retirement Communities. Linda Mayhood also continues to chair the Advertising and Promotion Commission of the Hot Springs Village Area Chamber of Commerce. A particular success this past year has been the securing of \$100,000 worth of advertising at the recent Governor's Conference on Tourism for \$9,625.

The above list represents only the more significant evidence of progress during the past year that indicates progress toward our vision statement.

What is not listed above and is perhaps the most significant advancement during the past year is the decision to request the membership to approve two amendments to the Hot Springs Village Declaration. Proposed Change No. 1 is entitled "POA Policy Enforcement" and Proposed Change No. 2 is entitled "Limited Assessment Authority". While both these amendments will be presented this summer to the membership for an election date decision on October 2, 2007, the effective dates of these amendments if approved would not be until 2013 and 2014, respectively.

While there have already been some group presentations on the details of these proposed changes, this annual meeting represents the formal kick-off of the campaign to inform and educate all property owners on the importance of these two Declaration amendments.

EMPLOYEE AWARDS

Recognition Award

Recognition Awards are given to individuals, committee or groups who have provided outstanding service in support of the Association or Village, generally based on the 12 months preceding each annual meeting.

RECREATION DEPT.

Coronado Community Center employees:

William Bobbitt, Bea Nation, Len Norris, Donald Osborne & Waymond Sims

Are being recognized for their dedication above and beyond the normal scope of duties to assist with the final preparations needed to open the newly constructed and remodeled Coronado Fitness Center.

Karen Lauck For your leadership in securing private donations to support needed items at the Ponce de Leon Center and in particular, the \$25,000 contribution for the Woodlands Auditorium stage curtains.

GOLF DEPT.

Stephanie Stone is being recognized for her leadership in the Cortez Clubhouse renovation project and coordination of the Chelsea tee time system.

Bill Hampton is being recognized for his hard work and dedication in the renovation of the Cortez Clubhouse. **Helen Sims** is being recognized for her leadership in the Cortez Clubhouse renovation project and coordination of the Chelsea tee time system.

PUBLIC SAFETY DEPT.

Tommy Stevens - Officer Stevens, while checking the exterior of the Balboa Club/Pro Shop, found an unsecured door. While checking the interior of the building, Officer Stevens detected the odor of something burning. Upon entry into the kitchen, he could see smoke coming from the stove. It appeared that a pot of food had been left on the stove on high. All of the water in the pot had cooked out and the food was starting to smoke. It was believed by Officer Steven's that if the stove was on much longer the food could have possibly ignited and caused a fire, so he turned the stove off.

Thanks for your diligence in the performance of your duties in averting a major loss.

Incentive Award

The incentive award is given to an employee who has developed a process, procedure, or policy that results in significant savings of money or human energy. This year's incentive award goes to three Public Safety Dept. employees: Animal Control Officer **Bo Diggs**, Lt. **Ricky Middleton** and Dispatcher **Bill Scarcella**.

The emergency generator at the Public Safety Building failed to function at its regular test time. After determining that the generator would not function properly, all known service providers advised the generator was obsolete and parts were not available. It was determined that a replacement, generator whether new or used, would cost in the range of \$28,000.

After testing various components they diagnosed the problem and located a supplier of comparable components in Texas. The parts were ordered at a cost of \$534. The parts were then installed and the generator began functioning as designed.

These three individuals are certainly deserving of an incentive award for their tenacity and determination in solving a need of the POA's while saving thousands of dollars for the POA in doing so.

2007 NON-EMPLOYEE RECOGNITION AWARDS

DESIGNING WOMEN GARDEN CLUB - For your transformation of the Woodlands Lobby during the Christmas Holidays which includes decorating the large tree, entrance walls, and use of live poinsettias throughout, for more than ten years.

NANCY ARTEBURN, PAT HAERING, ROSALYN HALBERT, MONA KELLAM, KAY KOSTELECKY, BILLIE McGINNIS, & JOANNE PEGLER - For your work with the Designing Women in beautifying the Ponce de Leon Center Porte-co-chere by planting and maintaining 6 large urns in early spring and fall.

JOHN KING - For your work with the Village Men's Garden Club in maintaining and beautifying the Village and in particular your leadership on the Veteran's Memorial project.

LESLIE NICHOLS - For your work with the Village Men's Garden Club and in maintaining and beautifying the Village and in particular for your leadership of the Balboa Gate Maintenance project.

KEITH POCHERT - For your work with the Village Men's Garden Club and in particular your leadership in the landscaping of the POA Administration Building Project.

WALLY SIFFERMAN - For your work with the Village Men's Garden Club and in particular your leadership in organizing the Poinsettia Fundraising Drive for the last three years.

YVONNE BECKER - For your work with the Village Pines Garden Club in beautifying and maintaining the Village and in particular the Butterfly Garden at the Ponce de Leon Center and as Installation and Maintenance Chair for 6 years.

KATHY EDMONSON- For your work with the Village Pines Garden Club in beautifying and maintaining the Village and in particular the landscaping of the new Coronado Fitness Center and monetary support for a water feature at this facility.

JUDY GALLAGHER - For your work with the Village Pines Garden Club in beautifying and maintaining the Village and in particular the installation and maintenance of landscaping at the Balboa Pavilion.

ROSALYN HALBERT & BEVERLY KOJDER - For your work with the Village Pines Garden Club in beautifying and maintaining the Village and in particular the installation and maintenance of landscaping at the Coronado Tennis Shop.

MYRNA RUSSELL - For your work with the Village Pines Garden Club in beautifying and maintaining the Village and in particular the landscaping of the new Coronado Fitness Center and monetary support for a water feature at this facility.

THE VILLAGE PLAYERS - For your contribution of \$25,000 for the replacement of the Woodlands Auditorium stage draperies.

DICK WARRINGTON - For your dedication and leadership of the Fountain Lake School EAST Lab program.

JOHN HOLLANSWORTH - For your valuable contributions to Hot Springs Village as its “Good Will Ambassador”.

KEN AND DEE RICHARDSON - For your ten years of contributions and community support to Hot Springs Village as owners of the Village Voice Newspaper.

LARRY BROCAW – Presented with the 2007 President’s Awards for outstanding service and volunteerism with architectural projects throughout Hot Springs Village.