Memo

To: Hot Springs Village Board of Directors
From: Lesley Nalley, Chief Executive Officer
Date: June 21, 2017
Re: Monthly Board Meeting Updates

Financial Review

Please note the financial package attached.

On the “things to watch” side, we saw a decline of 340 properties in good standing as compared to December. Liens were recently issued on several homes. Hopefully, this is simply a matter of payment timing but we are monitoring closely.

As of May, 13 new home permits have been issued, which is behind previous years but also a reflection of the real estate sales program just launching in April, without the benefit yet of a multi-unit project like Mt. Carmel’s 2015 & 2016 projects.

We continue to await the appeals court decision, with oral arguments not yet scheduled and the court approaching their summer recess. As you know, 2016 assessment payments were escrowed and the escrow was halted in 2017 in the hopes we were nearing a decision. In light of the court’s continued delay, the Board will revisit this discussion today.

Last week we celebrated the launch of Granada Grill. Please remember that the 2017 budget, as currently reflected in the financials, was prepared last October and assumed Granada would be vendor operated. As discussed when this operation was brought in house, with oversight of all outlets by an F&B Director, we projected a multi-year reduction to the F&B subsidy but did not alter the specific amounts approved in October. As noted in the financials, the 2017 budgeted subsidy amount is $99k operating expense + $116k capital for a total subsidy of $216k.

<table>
<thead>
<tr>
<th>Actual YTD</th>
<th>2017</th>
<th>2016</th>
<th>Over/(Under)</th>
<th>Budget Remaining</th>
<th>% Budget Earned/Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUE</td>
<td>337,411</td>
<td>151,831</td>
<td>205,547</td>
<td>(54,516)</td>
<td>185,580</td>
</tr>
<tr>
<td>EXPENSE</td>
<td>(437,316)</td>
<td>(261,111)</td>
<td>(172,195)</td>
<td>89,002</td>
<td>176,265</td>
</tr>
<tr>
<td>Net Food &amp; Beverage</td>
<td>(99,905)</td>
<td>(109,280)</td>
<td>34,239</td>
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</tr>
</tbody>
</table>

Please note that the 2016 F&B revenue reflects $117k in insurance proceeds. If this amount was removed, 2017 would be showing a $62k improvement in revenue. Assuming our projected profits from the improved F&B operation materialize, we will free up cash for other maintenance needs.
On the “positive outcomes” side, existing home sales continue outpacing the previous four years, as noted in the graph below. Since starting the operation in April, Village Homes & Land has given the Board of Realtors 26 leads. Our real estate sales marketing focus and collaboration with area realtors appears to be driving strong interest in HSV housing. We are pleased to see a direct correlation between those efforts and improved home sales. We look forward to completing the POA’s first spec house, which should begin this month, as well as the comprehensive master plan and future development projects such as pocket communities and the town center.

Along with this new endeavor, we continue focusing on operational efficiencies, maximizing amenity usage, and appropriately pricing for the value offered by each service and amenity. YTD golf revenue and golf rounds continue outpacing 2016 levels and we are closing the gap on the revenue per playable day. You might recall there was a $122 difference in revenue per playable day from December 2016 and December 2015.

Lakes revenue is also outpacing last year and we are seeing subsidy reductions in Public Safety, Public Utilities, Planning & Inspection, and Recreation.
Financial Health Enterprise Goal: Monetizing Community Growth

- Property Sales: 2017 minimum sales target of 22 lots
  Six POA lots have been either sold or are currently awaiting closing, which is 27% of the goal.

- Developed property growth: A net of 60 additional improved properties
  Year to date, there are 16 more residential neighbors, as compared to December 2016, which is 27% of the goal.

Protecting Value & Lifestyle Enterprise Goal

- Road Maintenance: Thank you to Bill, Alan, and their teams for the completion of multiple road projects.
- Pickleball: Thank you to the Pickleball Club, Recreation Committee, and Recreation staff for their collaboration on the pickleball complex. I met with Linda and Stacy this past week to discuss the joint recommendation and am finalizing the project notes for the board. A proposal will be brought in the July meeting for approval.
- Pool: While construction would not begin before the Garner case is ruled upon, roundtables are scheduled for July in order to finalize a recommendation.

Building Property Owner Trust & Support Enterprise Goal

Execute a PR plan focused on communicating with and educating individual stakeholders

- We continue to grow (and track) our following on Facebook. As we are seeing in other marketing efforts, exposure from Texas continues, along with Tennessee and Illinois.

In looking forward to our 50-year anniversary, which happens in 2020, an immediate focus on developing a comprehensive master plan is in order. Thriving for the next 50 years was the resounding vision from our Board retreat and I look forward to continuing this momentum with you in the days ahead.