

## 2nd Open Letter to the Board

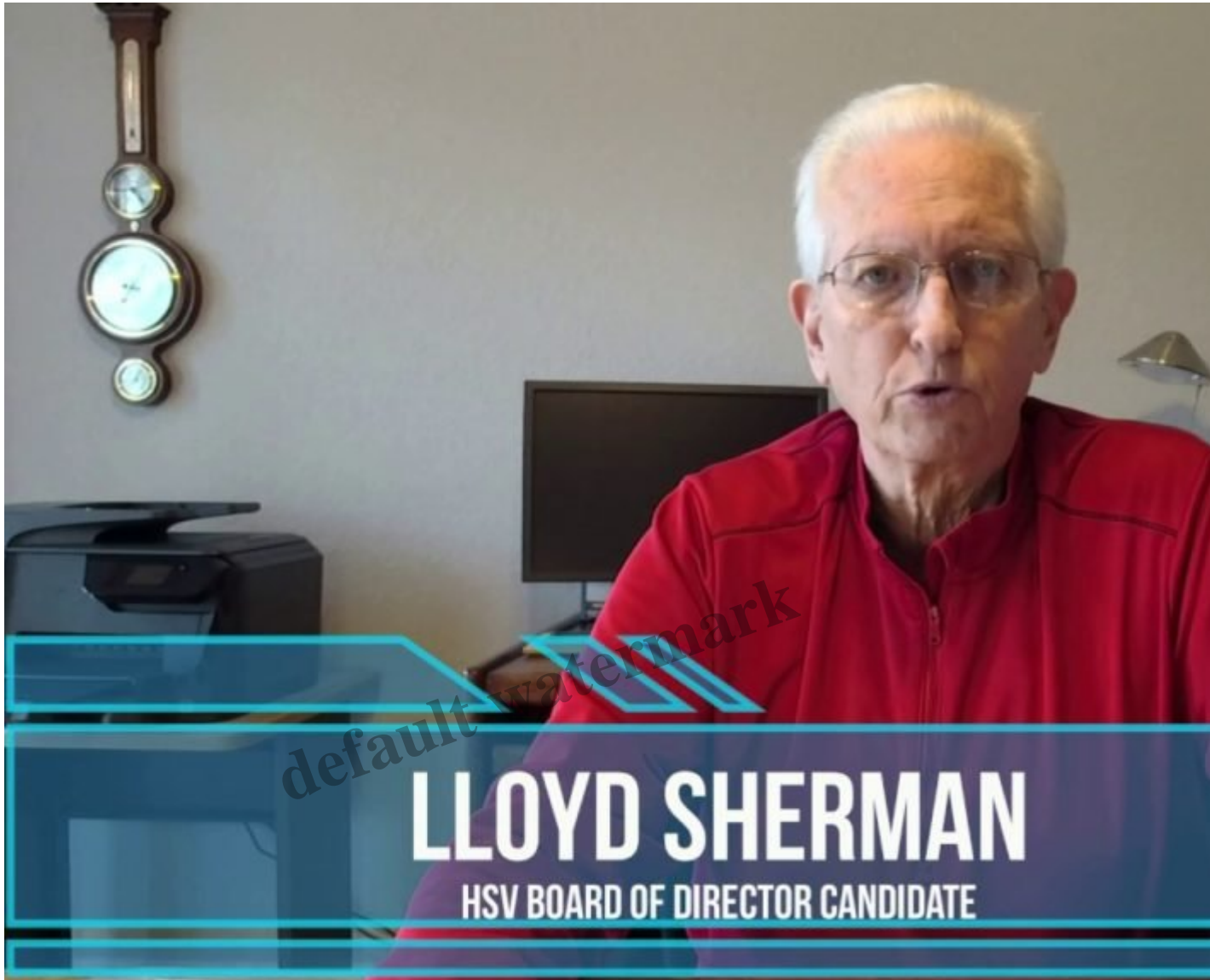
### Description

#### [Lloyd Sherman Board Candidate](#)

Today I come to you with a heavy heart and knowing that what I have to say will not be taken well by the Board or Ms. Nalley. It will be impossible for those on the Board, or those in senior administrative positions, to accept what I have to say. However, we can no longer be concerned about hurting someone's feelings as the time for action is behind us. This document is not personal, it's just business.

Although I am a property owner, I offer these comments today from years of experience as a business professional and consultant; a change agent and problem solver. You can accept this input as my pro bono contribution to the village.

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**Lloyd Sherman HSV Board Candidate 2019**

### **Symptoms of an Overall Larger Problem**

In my previous life I only accepted contracts where for the length of my engagement, I was for all intent and purposes the new GM/CEO. My job was to observe, analyze the issues, provide solutions and then implement them. The initial phase of my engagements was observation and gathering input from the employees, along with discussions with managers. The input of employees was critical to developing what culture existed. In the HSV environment let's consider my last four years in the village as the observation and data gathering stage. Instead of gathering input from the employees, I have considered the property owners to be the employees. They are closer to the day-to-day operations than anyone else in the village as they use all that the village has to offer on a daily basis. Property owners see the impact and results of their attempt to get things done in the village. They are the ones who point out issues that need correction.

## Ignored Complaints

By example, reports have been received where water is bubbling up in several places in the village on our deteriorating roads. One I am personally aware of has been going on for seven (7) years with no resolution. That's only one of hundreds of complaints received. The property owners follow the rules and report their concerns to the appropriate department as directed. However, when they don't get taken care of and they notify you of these continuing issues, what they are essentially told is that you cannot interfere in the day-to-day operations. This has resulted in a general property owner attitude that POA management and Board members are tone-deaf. Although there are many more examples, these are just symptoms of an overall larger problem.

## Known Faulty Budget Was Approved

Your job as a [Board member](#) is to provide strategic planning and direction to the CEO for implementation. The latest major abdication of ignoring that obligation was the BUDGET process. There have been other missteps that woke the sleeping giant which by the latest board meeting has been at least realized, but like the CMP, the introduction is simply another misstep. I will get to that later, but let's stay focused on the budget for a bit longer. As a board, you allowed the development and adoption of a budget that you knew was not only inaccurate but ineffective. There is just no way to sugarcoat that. Developing a budget based off of a failed 2018 budget instead off of actuals is just beyond comprehension. Anyone with corporate knowledge knows that is just not acceptable. Then based off of what is known as a revenue stream that can't possibly be obtained, you allowed a cost budget to be developed and adopted.

## Totally Unacceptable

On top of that, you, as we did, sat through budget presentations that had basically NO planning on how to substantially increase revenues. Again, given YTD actuals, this was unacceptable. By taking the time to go discuss the budgeting process with the CFO, it was discovered that the POA senior management develops what the cost budget will be and not the unit managers. How can you ask a manager to live by a budget for which they did not contribute and agree to?

In addition, in one of the budget meetings, Ms. Nalley was heard to say that no cost-cutting measures were going to be considered at this time. **If not now, when?** You were informed by both one of your board members and by me that adoption of this budget was an abdication of your responsibility. You went ahead and approved it anyway. There was no reason whatsoever for a budget to be approved in when it was. Indications were that it needed to be approved so that the fee schedules could be worked on. That is purely nothing more than an excuse for not sending the budget back and providing metrics that improved the position of the association. So now you have approved what you knew was a faulty budget and now you can wipe your hands and say we did our job. Totally unacceptable!

## Elephant in the Room



**Elephant in the Room**

The other huge elephant in the room was the catalyst that awakened the sleeping giant. The CMP. As previously noted, the rollout of this document was nothing short of a disaster. Your approach in the last board meeting started out as what appeared to be an acknowledgment that the implementation had been a misstep and then came the “but”.

You proposed the formation of yet another committee to tell you what a committee of literally thousands have already told you they are not interested in. So why do we need another committee to tell you what you already know? Then to add insult to injury, you communicate that the committee to form the committee will include Ms. Nalley and Ms. Heffer. How many more committees or ancillary jobs does the CEO have to be involved in before you recognize what the problem is? Governance Committee that helps sets policy to be followed by the CEO. Really? Committee to tell you what you already know on the CMP and Ms. Nalley will determine who selects the committee to select the committee. Allowing the CEO to write their own measurement criteria (Enterprise Goals)? You shoot your credibility every time something of this nature happens.

The next recent misstep was the vote on declaration changes. While many declarations would have been acceptable in a different environment, the misstep was that it was too much for property owners to accept and absorb. Smaller bites of the elephant would have been a better strategy in the right environment. Your failure to recognize the problem while you continue to focus on the symptoms, is yet another example of your abdication of your overall responsibility to the association.

### **Bottom Line**

I could go on, but this is a pro bono engagement, but as your business consultant, I am going to give you the bottom line.

Failure to recognize the problem and trying to defend your integrity isn't working for one reason. You must recognize that the only way the healing is going to happen is if the CEO is terminated and you start anew. Now you can do that by actually hiring a business consultant who will come to the same conclusion, or you can actually save the association the expense and start the new year with new leadership. In summary and from 30,000 feet, here are the steps to both healing and correction of the spiral you find ourselves in:

### **Needed Change – Management**

- **Management Change** – Ninety percent of my consulting engagements, the overall issue was the leadership mismanagement. You have at the helm an inexperienced, ineffective leader. Many of the issues may have been able to have been corrected with proper guidance and direction from the Board over the years, but that ship has sailed. Your reputation and integrity are being questioned because the property owners do not believe you are working in their best interest. While those perceptions may be misplaced, they exist. The leader of the POA now has a reputation of being controlling, manipulative and on a power trip. That perception is not going to change and the healing will not begin until new leadership is selected. This is an immediate action, not something to be kicked down the road for someone else to deal with. It may be costly, but I suggest to you that the long-term cost and impact will be much greater than dealing with the subject matter today!

### **Needed Changes – Financial**

- **Budget** – You must revisit the budget and the entire process is in need of repair. Go back to 2013 when reports and information were generated in understandable formats that can not only be understood and managed by the department heads, but also by the property owners. Based on other steps noted below, a restated budget needs to be undertaken.
- **Cost cutting** – One of the most difficult tasks of any manager is the realization that they must cut costs. The POA is beyond that point. You are top heavy and reevaluation of the 2019 organization chart needs conducted and realigned. You have low-hanging fruit. One is Village Homes and Land. This operating unit is not needed and can be absorbed into the already existing broker network or through the Chamber. Work with the HSV Board of Realtors to absorb the real estate functions. Work with the Chamber for the Discovery Packages and jettison this

expense. Form a Restaurant Committee comprised of seasoned professionals from this discipline and let them research and recommend an answer to this ongoing problem. What you are doing simply isn't working. These are surface issues and in the absence of an aggressive marketing plan, any good manager would be finding ways to reduce expenses.

- **Discretionary Spending** – Stop all discretionary spending until such time as the financials reflect the ability to pay as we go.

## Marketing

- **Marketing** – While I cannot discern the specifics of this current effort without being at ground level, it's obvious it is not working. A specific program targeted at the 10,000 base a day retiring needs to be undertaken, as well as ways to improve the growing inventory of unproductive lots. Whatever efforts are being made today are not working. Again, there are very talented, seasoned resources living in the village that should be consulted and their marketing expertise put to work.

## Assessments

- **Assessments** – Given the continued ignoring of these basic business concepts, you will at some point be faced with a substantial increase in assessments. Short of drastic measures to both revenues and better control of costs, this simply will not be avoided.

## Involvement of Property Owners

Volunteering by property owners is a catch 22 dilemma; they are told they should get more involved. Those who do step forward become disillusioned as they see their involvement (and voices), are for the most part, makes no difference. Result is that the same resources get recycled through the committee process and new and fresh ideas are often a missed opportunity.

You can either accept these principles as the minimum that can be done to regain the trust of the village, or you can choose to ignore them and then they become nothing more than what you paid for this pro bono report.

I implore you to reset the association to begin the much-needed improvement and healing.





**Lloyd Sherman HSV BOD Candidate**

**Lloyd Sherman, Hot Springs Village Board Candidate, 2019**

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