



HSV – Are We Destined to Repeat the Past?

Description

Are We Destined To Repeat The Past?

By Lloyd Sherman

The Present – During the period of 2021-2022 we are deeply entrenched in an education program to enlighten property owners on what it costs to run the Village and based on comments being made, many feel this is more of an indoctrination than it is education, with the end result to support and propose a substantial assessment increase for resident property owners.

The FRATF indicates they will be making their recommendations to the board in August of 2021. Information sessions were just provided in June of 2021 and one has to wonder how many truly informed recommendations can be provided during this next two months, especially when it appears that it will be business as usual.

In a 1948 speech to the House of Commons, **Churchill** paraphrased Santayana when he said, **‘Those who fail to learn from history are condemned to repeat it.’**

So, looking back to 2014-2015 might be worthwhile and see what was said and how it turned out.

Please note that this information is taken from previous documents provided to the members during the two-tier campaign.

The Past – This period represents the last time an assessment increase went before property owners (members). It is critical to review some of these documents and see how the information (hype if you prefer) was presented:

INVESTING IN OUR FUTURE – A call to action by the HSV Assessment Committee (Exhibit 1)

This document started out addressing the action being taken and a little history. You can read it in its entirety by opening up the Exhibit. In the body of this document, I will address some of the highlights and provide comments:

- **Additional Assessment Funds Use**

- **Roads** – \$6.3 million over five years
- **Water Supply** – \$1.25 million over five years
- **Sewer** – \$2.5 million over five years
- **Culvert Replacement** – \$500K in 2015, then \$250K a year
- **Replacing high-ticket Equipment** – \$750K per fire truck; \$150K per trash truck

I don't know about you, but I am hearing the same requirements coming from FRATF today for yet another proposed assessment increase to take care of exactly what previous boards and POA staff offered.

- **Three-pronged approach**

- **Assessment increase** – A rate increase is the best action that can be implemented in a timely manner to take care of our most pressing infrastructure and capital needs.
- **Improved amenity performance** – Going forward, we need to decide how best to lower subsidies without sacrificing quality.
- **Funding for future growth** – Raising funds for future operation and improvements. Includes development of new sources of revenue.

All worthy goals. However, the best laid plans require the proper execution and commitment to stay the course. None of which was done. Additionally, these approaches were in the wrong order. An assessment increase is the last step that should be taken, not the first.

Exhibit 1 – INVESTING IN OUR FUTURE – A call to action by the HSV Assessment Committee

[A-Call-to-Action-by-HSV-Assessment-Committee](#)

How Will the Assessment Increase Be Spent (Exhibit 2)

This was a six-page document so only certain items are being brought forward. See Exhibit 2 for complete details.

Funds Available for Capital Purchases – In this chart it was depicted that “Funds Available” would be nearly \$6 million in 2017 after paying for all non-capital expenses (employee compensation, materials and supplies, maintenance and operating expenses).

This will be pointed out again later but compensation is currently projected at \$18.6 million for 2021 which is 130% of net assessment revenues (In other words we now pay more to staff the POA than we receive in assessments)

Employee Compensation – This section indicated that compensation will keep pace with the cost of living which was estimated at 2.5% per year with the increase or frozen at 2015 levels for two years if no increase.

If this area wasn't so sad, it would be laughable. The chart indicated that compensation would be something less than \$15 million in 2017. The problem is that the empire building had already begun for the upcoming setup of the staffing for the implementation of the CMP. In 2021 the budgeted compensation line is projected at \$18.6 million. If compensation had followed their projections, it should have been around \$16.2 million coming into 2021. It is the opinion of this author that there is much more that can and should be done at the compensation level.

And finally, the **coupe de gras** and I quote:

“One thing is clear. No new amenities will be funded from this assessment increase”.

Let that one sink in!

Exhibit 2 – How Will the Assessment Increase Be Spent?

[How-Will-the-Money-Be-Spent-White-Paper](#)

INVESTING IN OUR FUTURE WHITE PAPER: TWO TIERS (Exhibit 3)

Objective for the Assessment Increase – And I quote:

“Regardless of the assessment method used (flat rate, two-tier, ad valorem, etc.), **the objective of the assessment increase is to replace the \$3 million lost per year to declining assessment revenues, and do so starting in 2015. Any method selected must be expected to meet that objective to be considered in the proposal.**”

This means two things: 1) the vote must pass, and 2) upon passage, the increased assessment must deliver the replacement revenue.”

So, what did the two tier bring us?

- *It forever pitted lot owners against home owners when it comes to assessments. Lot owners have the majority and can heavily sway the vote to pass higher fees on just home owners.*
- *The road shows and education program (which were expensive) also woke up a sleeping giant. Not only did this strategy not work, it backfired big time. Current bad debt is projected at \$4.6 million for 2021. So, all of the “revenue” from the two tier not only disappeared but it has created a situation where we now have worse bad debt than we have ever had.*

Bottom Line – Whether intended or unintended, decisions have consequences. Why would we want to pour additional assessment revenues back into exactly the same machine that got us to this point? We need our organization RIGHT-SIZED before we make this kind of a decision.

Exhibit 3 – INVESTING IN OUR FUTURE WHITE PAPER: TWO TIERS

[Two-Tier-White-Paper](#)

By **Lloyd Sherman**, June 20, 2021

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