

## HSVPOA – Assessment Increase Justified?

### Description

There seems to be an increasing amount of noise in some quarters in support of the idea for introducing a significant increase in assessment fees for people who own developed property. Interestingly, there does not seem to be the same push for increasing fees for those who own undeveloped lots. This could, of course, be due to the simple fact that for every developed lot in the village, there are somewhere between one and a half and two undeveloped lots. Any assessment increase over and above the cost of living index would require a vote of property owners. It is pretty well certain that the undeveloped lot owners, who constitute an absolute majority, would vote down an increase in their own assessments. Conversely, the same undeveloped lot owners may well vote in favor of increasing fees on the developed lot owners; especially if such an increase is presented as being needed to preserve the value of their investment. This is, of course, precisely why the proposal does not include raising the assessment on undeveloped lots!

The sad history of the past few years is that the POA has recklessly squandered money on various ‘pie in the sky’ projects (DeSoto Club Refurbishment, the CMP, the Gate Fiasco and Outdoor Pool all leap to mind, but there are plenty of others) while deferring (ignoring?) the growing backlog of infrastructure maintenance. Furthermore, it is asserted, repeatedly, that the POA has only two sources of income; assessments and fees.

The basic argument is that amenity fees charged, despite major increases in the past few years, still cannot generate sufficient revenue to make up the difference between assessment income and expenditure. The emphasis on raising fees shows, once again, that once people get into positions of authority they seem able to ignore the basic facts of economics. In a any closed population (and the Village is essentially a closed population) there is a fixed amount of disposable income. Increasing fees for amenity usage by that population, will inevitably result in a decline in usage. This is simply because the available income does not increase commensurately. We need only look at golf rounds played per year to see this effect in full, As fees increase, so rounds played decline.

Therefore, the argument goes, the *only* solution is to increase assessments on resident property owners because total income is insufficient to meet POA expenditure. Notice that this completely, ignores the fact that there are other options. The most obvious way to close a gap between income and expenditure, is to reduce the expenditure! Another way would be to grow the population of the village, so that assessment income increases because more people are paying it. Ideally the POA should be doing both!

How can the POA reduce its expenses? Well one way is to look at where expenses are coming from. According to the 2020 Approved Budget "Compensation" will consume 49% of all revenue (projected at \$17,627,094 out of the \$35,757,081 in revenue). Of course, the revenue projections made when the budget was set don't take into account the impact of Covid-19. At the very least, this will mean a significant shortfall in variable (i.e. non-assessment based) revenue that will exacerbate the problem still further. The \$3Million (potentially) forgivable loan will help somewhat, but is unlikely to be sufficient by itself. The basic problem is that the POA has consistently overpaid its upper level staff, while paying lower grade workers little more than minimum wage, for several years now, and it continues to do so.

Maybe a 10% pay cut for all staff of managerial grade, and a 20% cut for Directors and Heads of Departments, would help us believe that the POA is serious about cutting costs.

Interestingly, it appears that closing the POA-run restaurants during the Covid-19 shutdown actually improved their profitability. Maybe that is another area where expenditure could be reduced. Then, of course, there is golf. Various proposals have been made, over the past couple of years, suggesting ways to increase golf revenue. Despite that, the only solution ever adopted has been to increase fees – with the usual result; reductions in both usage and income.

However, what is done cannot be changed now. What we need is a plan going forward that will reduce our costs, attract new residents and address the on-going needs for maintenance and improvement. It's a pretty tall order, but if HSV is to survive in its current form these things have to be done. As in any well-managed project, we would need clearly defined milestones, with "measurable success criteria" and actual costs. Those responsible will need to accept responsibility, and to be held accountable for its success (or failure)!

Then, if it turns out that an assessment increase is really required, property owners would have a proper basis on which to decide. Without, such a plan it is just more “smoke and mirrors” and we have had enough of that to last several lifetimes! So in the meantime let’s hear more from the POA about how we can reduce costs and attract people to the village, and less about how we, the resident property owners, should be paying more.

By [Andrew Kramek](#), August 19, 2020

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