



## Lloyd Sherman In Response to Clark Vernon

### Description

By Lloyd Sherman, August 17, 2021

#### **In Response to Clark Vernon** **Mr. Vernon asks; Can you Trust the Board?**

From the perspective of a business consultant and an ex-member of the Board, I am not sure the issue is really one of trust. I believe those who now and have previously given of their time, are genuinely interested in the betterment of Hot Springs Village. However, the point of not trusting words, but trusting actions couldn't be truer.

So why does this keep happening time and time again? My words have mostly fallen on deaf ears, but I am once again going to address the CULTURE that must change if you want a board who is truly accountable and the property owners have a say in what actually happens.

- The first thing you have to accept is that the Board is NOT REALLY IN CHARGE. Due to Bylaws, combined with the operating philosophy of POA management, the board has been rendered essentially nothing more than a rubber stamp governing body. The Board is provided information from staff. This information is rarely questioned. It certainly can't be vetted by the board because they have been rendered persona non grata due to: "You are not entitled to interfere with operations." In addition to this being a management philosophy, it is backed up with Bylaws and operating procedures.
- The second principle you must accept is that staff dictates the direction and narrative.
- The third principle goes along with the second in that you must understand the board can only operate on information provided.
- The fourth principle, whether you accept it or not, is that staff will protect their domain. As Mr. Vernon has pointed out we can certainly go back as far as when Mr. Twiggs arrival and how staff became the driving force on decisions made. It was amplified under Ms. Nalley's regime. It

became painfully evident with the arrival of Mr. King, who within weeks of his arrival became driven by staff and not by the board.

So over the past 8-10 years if you found yourself wondering why board members seemed to take a 180 on what they told you during their campaigning, the reality is that a staff driven environment was in place and any board member that attempted to usurp that philosophy was going to quickly be rendered an enemy and attacked and discredited.

### Membership vs Property Owner

Mr. Vernon points out how society goes about changing the narrative with the way it is presented and driven home. He is spot on when he states the intent of the change to Member was an overt effort to reduce property owner input and involvement.

### Vernon's Step Two

While I do believe there should be a process for recalling board members, this is a real slippery slope. You can't just go around removing people because you don't think they are doing a good job, when in fact, they don't realize that it is not them that is driving the train. They may believe they are, but in the current culture which is being allowed, they are not the driver, although they will argue with you or me on that point.

### Vernon's Step Three

While Mr. Vernon's position has validity, you can perform all the audits you want but if you don't change the approach to the use of financials along with tighter controls, you will find that THE SYSTEM that wasn't working before, simply returns. Managers must be taught how to use Profit and Loss Statements, transaction journals, etc, to manage their operations. We can be assured this process hasn't been followed for at least as far back as 10 years ago. The board could have demanded this, but then you would have to have a GM who could actually train, implement and manage the process.

### Vernon's Step Four

Allowing property owners votes on large expenditures (new items) sounds on the surface to be an excellent idea, knowing it would cost about \$45K per vote. However, if voted down, the expenditure would never be made. I can think of several projects that most likely would have failed that have cost us millions. It's a nightmare for the board, but once again I must remind readers that as long as staff controls the narrative, we are most likely doing nothing more than putting a finger in the dam that must be repaired.

### Vernon's Step Five

The concept of closing golf courses has been discussed previously and I remain unconvinced that this is the answer. Mostly because of reasons already addressed. Like the two-tier, I believe this approach might well result in unintended consequences and result in fewer homeowners and lower collected assessments. You asked what happen due to the two-tier. Well, the unintended consequence was that

attention was drawn to all the lots people owned that they were never going to take advantage of. So they quit paying assessments and taxes. Given this month's financial statements our BAD DEBT now appears it will be \$5,000,000 a year. That is an issue that is not sustainable.

As I didn't see a Step Six I am assuming the last paragraph of Mr. Vernon's piece addressing management was to be his **Step Six**. However, his final point is more than well taken. We do and have had a management issue here for an extended period of time. I am not in favor of turning our corporation into a municipality and hiring a municipal type of manager is in my estimation the wrong direction to take. Governments entities at every level (just like the military) operate on Other People's Money. They focus on how to spend what they are given, not on ways to increase the revenue stream via other methods than putting it on the back of the property owners. That being said, I do believe there is a place in the organization as an Assistant GM in charge of items like sewer, water, etc.

The article penned by Mr. Vernon should not be discounted as so many before have been. He has put a lot of thought and effort into his words and they should be considered along with the input of property owners in general.

### Summation

I believe those who have followed my writings know where I stand on the issue of management of our Village. I did come here with the intent of retiring but soon found out that it wasn't for me. That is why I have offered to become the GM and change the culture that exists. I have not only the background to do this but the desire. I have offered up several suggestions on the front-end that I would implement as GM. One I believe changes the culture almost immediately. That being an environment of salary plus performance incentive pay/bonus. Additionally, I have a proven track record of managing operations through the use of financials that drive performance. I have been willing to put my money where my mouth is and take a substantially lower salary with an upside based on performance. Even if achieved at 100% it would still be less than what I was earning when I retired.

Bottom line is that your boards will most likely continue to disappoint until they have a manager in place who will change the culture and ensure that anything that comes before them is complete and not half-baked as so many have been in the past.

**Thank you Mr. Vernon for taking the time and effort to let the Village know your thoughts and not as simply a series of complaints but with a considered opinion on how to correct the issues.**

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