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What is to become of Hidden Valley Lake and the Association that currently manages it?

Recent changes in the Board and Administration make a full disclosure of the Association's finances probable - and soon.

HVLA's first truly comprehensive external (i.e., independent) reserve study (to be completed later this Spring) is likely to raise HVLA's financial liabilities associated with maintaining its amenities, buildings and infrastructure from \$9.5 million to a substantially higher figure, perhaps \$20 million - \$25 million.

In 2006, the published (in HVLA's Compass magazine) estimate for such liabilities was \$21.1 million. This figure was reduced to \$9.5 million in 2010 and 2013 by the Association's previous General Manager (who conducted the reserve study himself), but without detailed justification. The 2013 reserve-study estimates for the roads, Community Center and Greenview Restaurant are approximately 25% of their probable costs - see the HVLARising article on this topic from last summer.

HVLA's reserve fund currently stands at ca. \$3.2 million. Given the age of the Association's amenities and infrastructure, most of these are due for replacement or overhaul in the next few years. The cost of repaving the Community's 31 miles of roads alone is ca. \$8 million. Renovation of the Greenview Restaurant building and the Community Center would likely cost an additional \$3 million - \$5 million. The stables are in poor condition and require a lot of work, the tennis courts also require revamping, the Lake and Beaches will require extensive work over the next few years, and so on.

Where is the money to come from given the paltry state of the reserve fund?

The Association's golf operations have lost around \$6 million over the past decade. The Greenview Restaurant's deficit has been nearly \$2 million over this same period.

Uncollected debt for last year was nearly \$350,000. Over the years, unpaid assessments, associated fines & interest have ballooned to ca. \$3 million (20 years ago, this figure was "only" ca. \$250,000).

These shortfalls have prevented the HVLA from properly maintaining most of its amenities and infrastructure. Last year, ca. \$1.1 million of scheduled repairs and replacements

were deferred. Over the past decade, additional \$millions in maintenance-related expenses have been deferred for the same reason - a monolithic focus on a golf course (which is, indeed, extremely well maintained) catering to the needs of a select few.

If the Association were to maintain the Community's amenities and infrastructure in a way consistent with recommended HOA management practice the annual assessments would likely rise appreciably. Twenty years ago, the Association attempted to rectify some of the maintenance and upkeep issues, imposing assessment increases averaging ca. 10% a year over a 12-year interval (resulting in a near trebling of the annual assessment).

Hidden Valley Lake now stands at a critical juncture.

To bring the reserves up to a reasonable level (75% funded or higher) would likely cost \$10 million - \$15 million. Such a standard for reserve funding would require either a "special" assessment of \$3,000 to \$5,000 per property, or an effective doubling of the annual assessment over the next several years.

Neither alternative is likely to be popular among the Association's membership.

Because ca. 900 of the Community's 3300 properties are empty lots, most of which are unlikely to be developed anytime soon, the Association faces a daunting financial challenge. Most of these "unimproved" properties are currently worth less than \$5,000, making a special assessment or sharp increase in the regular assessment potentially "toxic." Well over 25% of these properties are behind in their assessments. This number is likely to increase substantially regardless of whether the Hartmann Event Center is ever built (or not).

Many residents of our Community have recently sold (or are trying to sell) their homes. An important factor has been the political, operational and financial turmoil of the HVLA. Others, who seriously considered buying in HVL, decided otherwise once apprised of the Association's current and past problems.

What options does the HVLA have to meet the financial challenges ahead?

The one most likely to be adopted by the Board is to soldier on in the same vein as before, endeavoring to correct some of the most serious problems through:

- (1) More stringent (and accurate) financial accounting*
- (2) Holding down costs associated with the golf course and restaurant to the extent possible, and*
- (3) Increasing the annual assessments by modest amounts (2-3%) per annum.*

This "status-quo plus" option is, in my opinion, unrealistic and unsustainable.

The newly commissioned external reserve study will, for the

first time in the Association's history, provide a comprehensive (and hopefully accurate) listing of the HVLA's repair/replacement/maintenance costs.

This figure (while only an estimate) is likely to exceed \$20 million. Because the current reserves stand at only ca. \$3.2 million, the Board will likely be advised to plug this gap by substantial increases in the annual assessments (currently \$1884 for houses, \$1440 for lots) or impose a special assessment to rectify the shortfall in one swift move. By law, the Board can raise the annual assessment by up to 20% without a member vote, and do so year after year if it believes this is warranted to maintain the Association's amenities and infrastructure.

Because a substantial proportion of the Community's properties are empty lots with negligible value, neither a steep rise in the annual assessment nor a reserve catch-up special assessment is politically practical. Moreover, many resident homeowners are barely making financial ends meet with the current assessment charge. A steep rise would likely drive many more to sell and move.

There are two other options, either of which could save substantial amounts, but at some cost politically and legally.

The most extreme "solution" would be to dissolve the non-profit, Common Interest Development, known as the Hidden Valley Lake Association.

Dissolving the HVLA would solve (or at least mitigate) many of our Community's problems...

(1) It would offload the financial burden of operating and maintaining the golf course onto those who use it the most - local and visiting golfers.

(2) The Greenview Restaurant would be unshackled from the chains of an Association amenity so that it would have a financial incentive to offer consistently good food and friendly service.

(3) The cost of maintaining 31 miles of Community roads would be borne by the County not the Association. Repaving these roads costs ca. \$250,000 per mile.

(4) Our Community would not have to deal with Association politics. Over the past 20 years (if not longer), the Community's interests have been held hostage to a variety of Board battles to the detriment of its amenities and public morale.

(5) Property values would likely rise appreciably. Unburdened by annual assessments (and the looming threat of a special assessment), homeowners would be able to live in our Community affordably. Non-resident property owners would no longer be shackled with assessments for which they rarely benefit (particularly true for those owning empty lots). Prospective buyers would no longer be put off by tales of an historically dysfunctional HOA.

(6) A shift in the Community's focus from the perpetual battles surrounding the golf course, restaurant and other amenities to one where safety, education, culture, economic

development and quality of life are of the utmost importance would likely occur.

The Association's historically narrow focus on the Golf Course and Restaurant has hindered the Community's interaction with South County (and beyond). Hidden Valley is considered by many to be an ultra-isolated sub-division intentionally shielding itself from meaningful interaction with its neighbors, Middletown and Cobb. This self-imposed isolation has likely hampered the economic and cultural development of South Lake County.

For the Hidden Valley Lake Association to successfully dissolve, a variety of issues would need to be addressed.

Among these are:

(a) Privatizing the Golf Course and Greenview Restaurant. Most top-tier HOAs (such as the Sun City developments in Arizona and California) neither own nor manage the golf courses and restaurants in their vicinity. These are run by outside companies (and judging from customer reviews) extremely well.

(b) Establishing an operational framework for taking care of the Community's other amenities, including the Community Center, the Lake and its Beaches, the Tennis Courts, the Swimming Pool, the Equestrian Center and grounds. Several options would be available, some involving private enterprise, others involving a government entity.

(c) Working with Lake County to hand over road maintenance/repair and public safety to the appropriate administrative units. The Community would likely request sufficient police patrolling to assure residents are safe and secure.

(d) Setting up a mechanism for governing Hidden Valley. The Community is the second largest in Lake County, exceeding both Lakeport and Kelseyville in population. Would it be a separate town with its own mayor, city manager and city council? Or would it choose to be "unincorporated," relying on the County for such governance?

(e) Determining the disposition of HVLA's assets. Would the ca. \$4 million in cash (the reserve fund + capital improvement fund) be used to set up the initial operation structure? Or would it be distributed to Association members (as specified in HVLA's bylaws)? How would the Association's "bad debt" be handled? Would it be possible to transfer such financial obligations to the Community so that debtors would still be required to fulfill their financial obligations?

(f) Persuading the Association's membership to vote overwhelmingly for dissolution. This would be a daunting challenge given that California's Corporations Code (§8724) generally requires concurrence by 100% of the voting members, an unrealistically high standard. A successful Superior Court petition could lower this standard to something more attainable but would still be challenging to attain.

(g) Another challenge for dissolution is the requirement that the County agree to assuming responsibility for the

Community's road paving and public safety. Given Lake County's economic condition, neither of these requests is likely to be granted without substantial financial compensation.

(h) If the Association has violated a sufficient number of State laws and filing procedures, a petition could be made to the California Secretary of State for dissolution. However, the County would still have to agree (see (g) above).

A middle course - one worthwhile for the Board to consider - is to substantially downsize the Association's operations (and hence expenses) so as to ensure sufficient funds to adequately maintain the remaining amenities. Any decision to downsize would require an affirmative vote by the Association's membership.

Which amenities to offload?

The Golf Course costs ca. \$1.5 million a year to operate, and historically has run deficits between \$600,000 and \$700,000 a year. Privatizing the Golf Course (which is open to the public) would be the single most effective way of reducing the Association's financial obligations. Alternatively, the Association could hire a professional golf consultant, which is what HVL's "sister" Community, Lake Wildwood did recently.

Lake Wildwood's golf course deficit was reduced from \$250,000/year to zero relatively quickly. However, HVL's golf course and its player demographics differ from those of Lake Wildwood, making the scale of potential savings uncertain.

The Greenview Restaurant has run annual deficits between \$100,000 and \$250,000, and is overdue for renovation or rebuilding. Privatizing the Greenview (which, like the golf course, has always been open to the Public) would offload a significant expense to the private sector.

Together, the Golf Course and Restaurant cost the Association ca. \$800,000 a year to subsidize. Those funds could be put to better use bolstering the reserve fund so that the annual assessment could be held to a reasonable level.

Other cost-saving measures could (and probably should) be made, but are best left for the Association's General Manager and Board to ponder and propose.

PETITION CENTRAL

Wild Diamond Vineyard

Petition for Requiring an Environmental Impact Report for Vineyard close to Eagle Rock in Hidden Valley Lake

If you would like to sign the petition, Please Click on this [link](#).

Additional information can be found [here](#).

Stop the Hartmann Project From Encroaching on Open Space

Petition Background (Preamble): The Hidden Valley Lake Association (HVLA) Board of Directors are proposing to build a 12,177 square foot facility to house a new events center. The proposed facility encroaches on recreational open space, which is a benefit to all Lake County residents.

The building will also abut a pond that has proven to be a danger to human life.

Petition:

We, the undersigned, call on Lake County Board of Supervisors to deny any rezoning, variance or other instrument that would allow this egregious encroachment. Open space in a residential development is especially beneficial to personal enjoyment and for wild life.

If you'd like to sign ... [Please Click on this link](#)

Hartmann Event Center Project

Petition for requiring the HVLA Membership to be surveyed before building.

If you would like to sign the petition, [Please Click on this link](#).

eNewsletter Archive

An archive of many of the eNewsletters sent over the past year is now online. It can be accessed via the link below:

[HVLARising eNewsletter Archive](#)

HVLARising Website

The HVLARising website has been revised to take into account current circumstances in our Community. It can be accessed [here](#).

Sincerely,

Steve Greenberg

[The opinions expressed in this article are those of the author alone, and do not necessarily represent those of any other individual or group associated with Hidden Valley Lake or its Association]

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