

# Hidden Valley Lake Association

## Overview & History

(updated June 2018)

Hidden Valley Lake Association (HVLA) is in southern Lake County, CA. Roughly 6,500 people live there. The 10-square-mile community has a 102 acre Lake, the only 18-hole golf course within 50 miles, riding stables, tennis courts, an Olympic-size pool, and a restaurant with lounge. Land can be bought there for as low as \$2,000 (.37 acre). Houses start at \$260,000 (2/2, 1,322 sq. ft.).

It is the location of the now infamous “Valley Fire” (Sept. 2015). HVLA was developed in 1968 by Boise Cascade as a retirement/vacation community. By 1970 Boise sold the development to the owner/residents who formed a common interest development (CID). From the 1970’s until the late 1980’s it was run and “governed” by the owner/residents under the laws of the CA Corporation Code. In the late 1980’s due to fiscal mismanagement it underwent several years of receivership, which ended in the early 1990’s.

In 1992, HVLA hired its first professional general manager. Since then, it has gone through 12 GM’s (a few were temporary or, “interim” GM’s). Reportedly, several of those GM’s were “asked to leave” due to their unwillingness to abide by Assn. leaders’ recalcitrant mismanagement and alleged corruption. Nowadays it is mainly a family development with a growing number of buyers/commuters from Santa Rosa and about 20-25% seniors (over 60). It is presently unclear as to what extent mismanagement and alleged corruption have continued. Boards and staff since 2015 have struggled to make changes, with modest but isolated successes.

Since its very early years, the business/management culture of HVLA was based upon cronyism, nepotism and no-controls/no-standards. These “methods” continued to be the fundamental governance methods over many years. Multiple efforts were made over the years by several different homeowner groups to change this. More change has been achieved since 2015 than ever before.

From late-2014-to-early 2015, there was a shift to a majority of Directors with a more progressive, ethical mindset. As a result some forward-looking and constructive events occurred: (1) First complete audit, 2014; (2) First independent reserve study, 2014; (3) First professional golf course consults (2), 2015 ; and, (4) First serious review of long-time alleged election irregularities, 2015-16 (but never released to members). All four of these revealed

**major** mismanagement and hinted at likely fraud. By contrast, hard-core groups (“Reclaim Our Community”) wanting a return to the ways-of-the-past have risen in prominence as well.

From 2014 to present there have been at least 2 Directors recalled and at least 9 Directors have resigned (mostly due to internal political conflict). The cronyism/nepotism/no-controls from the past along with the damage caused by large-scale corruption from 2000-2014 still remain officially unacknowledged.

As we see it, the bigger, more real and pressing dilemma - persistently ignored by recent Boards, Administration and most members - is the fact that mismanagement and alleged corruption from 2000 to 2015 affected over 10,000 people - 6,500 current members plus over 3,500 owners who have come and left during that 16 year period - and has cost HVLA owners \$15-20 Million in lost and misappropriated funds: \$12.4 Million in recorded losses from the Golf and Food/Beverage Ops., plus another \$5-10 Million of unrecorded (and unacknowledged) losses from other parts of the Assn.

The CA State Attorney General has jurisdiction over Corporation Codes that pertain to HOA’s, but makes strenuous efforts to avoid engaging in any enforcement actions. The CA Bureau of Real Estate has jurisdiction over how homes within HOA’s are marketed to prospective buyers. Even though HVLA had consistently and significantly misrepresented its fiscal and operational condition from at least the late 1990’s through 2014 and neither HVLA nor local RE agents give new buyers this important background information, the CA Bureau of RE is **not interested**.

#### **IMPROVEMENTS made by HVLA (since 2015) -**

- \*Standardized Accounting practices,
- \*Standardized Contracting practices,
- \*Working toward lake sediment removal sometime “this year” (still not, June 2018),
- \*Equestrian Center upgrades,
- \*Golf course grounds conditions,
- \*Greenview restaurant ambience, equipment, and food
- \*Giving members more control over filling Director positions (vacated by recall),
- \*Giving members the explicit right to vote on capital expenditures,
- \*Giving CalFire access to emergency gates (to bring in heavy equip.)
- \*Terminating under-performing managers; a few left under-pressure
- \*Regular maintenance staff coverage of the Lake

#### **Still unaddressed, not-implemented, not-approved or Only Partially Begun are:**

- \*Strategic Planning = Long-Term Community Planning (partially)
- \*Ongoing in-service training/education for all Directors and Staff
- \*Gross Imbalance between Golf Ops. funding vs. All Other Amenities
- \*Resultant diminishing of services to non-golfing members

- \*A Golf Ops. "Business Plan" re specific strategies and time-lines to decrease losses
- \*Acknowledgment of the inappropriateness/avoidability of the huge past losses
- \*A comprehensive fire prevention plan
- \*A comprehensive flood prevention plan
- \*More effective methods of member communication
- \*Low-Transparency by the BOD
- \*Approval of the "Lake Maintenance Plan"
- \*A comprehensive plan for member engagement/education
- \*Specific methods to prevent future mismanagement and corruption
- \*A Review of "Views" magazine's cost-effectiveness in "serving" members
- \*Release of the Election Committee Report (Feb. 2016)
- \*Forensic audit of delinquent accounts
- \*Member surveys 2003, 2013, 2016 – ALL virtually ignored by Boards
- \*Promised updating personnel practices still pending since Oct. 2016
- \*HVLA's Bully Sub-Culture

### **The Fundamental, Core Problem:**

Throughout its history, HVLA has depended almost exclusively upon the experience and skills of **amateurs** to handle its governance (Board and Committees). Although this is common throughout the HOA industry, it has not served HVLA very well especially as it has grown in **size and complexity**. As a direct result, "professional" staff were not hired until 1992. Up until 2016 only a **very few** staff had the necessary experience and skills to properly manage the Association. In addition, and also since 1992, Directors tended to become overly, inappropriately involved in day-to-day management. The direct consequences of these factors has been a severe skill/education-gap (within governance and administration) and a severe role-dysfunction (between governance and admin.). Rampant mismanagement, alleged corruption, miscommunication, gross neglect of amenities and infrastructure and under-development for Community needs has occurred. Necessary use of outside "experts" since 2015 has revealed much (but not all) of the problems. Since those revelations, it has become clear that HVLA requires much, much more "expertise" focused on its problems in order to properly, adequately and in-a-timely-manner resolve them. Apparently, however, most of those now in-power continue to believe the old governance/management system "works" and that a few minor tweaks here and there will fill-the-bill!