

President's Message

Dear Fellow PVHA Members,

You are receiving this letter as part of the packet containing the Palos Verdes Homes Association's annual election materials. **Your vote is essential**, regardless of whether you vote for an individual candidate(s) or "none of the above." Unless we receive the returned ballots from over 50% of the Membership, we will not have the quorum required by our By-laws for the election and Annual Meeting.

You may either return your signed ballot or vote electronically; please see the instruction letter included in this packet for complete details. There are eight candidates running for the Board in the 2024 election. *Candidate bios may be found at www.pvha.org: Once on the landing page scroll down to the Meetings & Elections Section, click on the "Election Information" button, and then finally click on the Candidate Bio button.*

WE WELCOME A NEW BOARD MEMBER

The Board of Directors are property owners; we volunteer to serve because we love and care about maintaining our bucolic quality of life. We are dedicated to providing top-quality architectural guidance and to protecting the organization against legal attacks.

With that in mind, we welcomed our newest Director – Keith Geiger – in October. For many years, Keith's family's goal was to move to Palos Verdes Estates; in 2021, that dream finally came true. Graduating UCSB with a double major in finance and communications, he completed graduate school at CSUN, earning a Masters in Business Administration. Keith has volunteered widely, including at Cedars Sinai and the Board of Directors for several Chambers of Commerce, including Simi Valley, Calabasas, and Redondo Beach.

Keith plans to use decades of experience in asset and property management to uphold the policies and regulations that make our Palos Verdes community such a cherished place to live. He looks forward to offering his mindfulness and attention to detail for future years of protecting the high standards and aesthetics envisioned by our founders. Additionally, he plans to facilitate efforts to improve office systems and operations to streamline workflows and ensure each project receives the attention and dedication it deserves.

OPERATIONS RECAP AND KEY YEAR-OVER-YEAR FISCAL 2022/2023 FINANCIAL METRICS

Despite economic volatility and inflationary pressures, the Association's financial results are very positive for fiscal 2023. Because plan or application fees from home renovations and new-home builds are the Association's sole revenue source, monthly revenues remain unpredictable. Additionally, the recent reduction in large new builds further complicates revenue prediction. Navigating through a waterfall of state housing mandates and confidential questions, some of them legal questions associated with individual parcels, requires an increasing amount of Association resources. Despite these uncertainties, the Association is better prepared due to strong, experienced Board stewardship and thoughtful operational guidance over the past few years.

In terms of specific financial metrics,

- Year end June 30, 2023 total revenue increased 15.6% from \$781,398 to \$902,930;
- Cash and equivalents increased an impressive 48.2% from \$557,118 to \$825,596;
- Net income increased a whopping 91.2% from \$154,844 to \$296,054; and
- Total Capital balance increased a healthy 48.8% from \$607,144 to \$903,198.

Continuing to build our fund balance remains a top priority and is critical to allowing us to defend the CC&Rs against damaging state-housing mandates. Historical fund balances were highs of \$1,079,428 in August 2007 and \$1,076,481 in July 2015 (before the Parkland and ROBE lawsuits.) The Board has targeted a realistic near-term fund balance goal of \$1,500,000 by FYE 2026 given current economic conditions and unpredictable revenue.

Our two largest expenses, personnel expense and insurance expense, represented 34.8% and 13.9% of total revenue, respectively. Climbing interest rates have had a positive impact on the interest we earned on cash held in Vanguard Short-term Bonds and our Vanguard Money Market. Insurance expenses remain stubbornly high due to a number of factors including the remaining increased risk experience from the Lugliani/Parkland and ROBE Lawsuits settled in 2018. Also, a view dispute that closed on March 27, 2019, led to an indemnity payment of \$35,000 and \$289,958 in paid expenses. Additionally, carriers are either leaving the state, or underwriters are refusing to write certain lines of business due to California's difficult business climate and soaring replacement costs. Remaining carriers require very high policy retention on policy renewals.

OTHER CHALLENGES AND THOUGHTS

State Housing Mandates – the California State legislature continues to pass laws that, unless invalidated, restrict or override local zoning. The vast majority of Association property owners disagree with this overreach. Unfortunately, your Homes Association does not have the financial resources to fight the state on this issue. Rather, to fight state mandates and return zoning to local control, we strongly recommend:

- * **Supporting Our Neighborhood Voices** at <https://ourneighborhoodvoices.com> to donate. Your donation will help outreach to get signatures to put this initiative, which seeks to return zoning back to local control, on the 2024 ballot.
- * **Supporting the Approval of the City’s Housing Element.** The Board and Art Jury will seek collaboration with the City regarding objective standards associated with the state-mandated Housing Element; this is critical to maintaining architectural integrity. Without these objective standards, we could lose architectural control.

Defending the CC&Rs by Following the CC&Rs – The Board strongly believes that following the CC&Rs as closely as practicable is a strong defense; thoughtlessly changing or overriding key provisions destabilizes the original intention. More specifically, the Board does not support the following proposals:

- * Changing the quorum from the required vote of 50%+1 (or 2,711 Members). This would undermine the stability of the entire organization. The founders established this requirement to encourage Member engagement so that potentially damaging change would be difficult. The founders envisioned the possibility of failing to achieve a quorum for an election or annual meeting; they therefore established an appointment process outlined in By-Laws Article IV.
- * Seating candidates with the most votes no matter how few or the percentage of votes compared to ownership. Again, this could potentially allow individuals with very little support to change our current bucolic atmosphere.
- * Selecting as President of the Board the candidate with the most votes. Corporate officer election is outlined in By-Laws Article VIII, and the Board does not support a change.

Increased Engagement – Virtual meetings increase engagement because Members can attend from anywhere; they are not restrained by needing to be in town or to leave their homes. Members can access member information on-line and attend from anywhere in the world. It is also convenient for Board Members to attend while in their office or traveling.

Scenic-View Protection. Definitions in terms of type and quality of view vary, leading to deeply held emotional positions. There simply is no easy answer here. Due to previous lawsuits that nearly bankrupted the organization, and because view criteria are unique, prior Boards initiated a series of Resolutions (the most recent being Resolution #191) designed to offer helpful guidelines so that the relevant parties could solve the problem together on a case-by-case basis. Results vary, and more consideration may be needed in the future here.

GOALS AND ACCOMPLISHMENTS

The Association is drowning in paper. We are prioritizing automating operations to achieve operational efficiencies and digitizing certain key historical documents. This is a big but necessary multi-phase project, so we are doing so mindful of our budget. The Board launched a completely new website in December 2021 and continues to post Member information and updates. Considerable attention and Association resources are invested in collaboration with the City and City staff in an effort to streamline the joint application process and produce a better result for the applicant.

FAMED ARCHITECT, MENTOR, AND LONG-SERVING ART-JURY MEMBER PASSES

Sadly, we need to inform you that George Sweeney, Art Jury President, passed away suddenly in October. George was a highly respected and accomplished architect, and the Association was honored to have George serve as an Art Jury Member since 1987 and as Art Jury President since 2018. Mentor to many, George’s architectural acumen is seen throughout the peninsula and across the country, and he will be sorely missed. The Board has undertaken the serious task of finding a suitable Art Jury replacement.

THE HOMES ASSOCIATION IS 100 YEARS YOUNG!

In 1913, banker Frank Vanderlip, Sr. envisioned a sea-side paradise to rival the Italian Riviera. Famed landscape architect Frederick Law Olmsted, Jr. and City Planner Charles H. Cheney executed this vision by developing stringent Covenants, Conditions and Restrictions to mandate that their demanding architectural requirements be enshrined and preserved; in 1923 they established The Palos Verdes Homes Association and Art Jury to be the keepers of this aesthetic flame. One hundred years later we continue to ensure that the architectural integrity and building aesthetic in Palos Verdes Estates and Miraleste, RPV, is upheld to the highest standard while respecting current trends, materials, and state mandates.

Please call or visit the Association’s office before starting your project to receive early guidance as to how to execute a successful project consistent with the requirements and spirit of the CC&Rs.

The CC&Rs have worked because Members have embraced the idea that the bucolic appearance of our neighborhoods is worth protecting. A key communication channel for the Association to Members and stakeholders, the Association’s website – www.PVHA.org – contains many PVHA helpful resources. As a Member, registering your email to stay informed at PVHA.org allows you to view important monthly financial data available only to property owners.

Sincerely,
Christine McNamara, President