

Palos Verdes Monaco Homeowners Association

April 19, 2021

Dear Resident:

The purpose of this letter is to inform you that at its recent meeting on February 25th the Monaco HOA board voted to make two changes to the annual dues:

1. The amount will increase to \$150 per year from \$90 per year.
2. The dues invoices will be sent out in April of 2021 and on or before February 1 in future years.

Explanation of change #1:

The HOA's recurring annual expenses increase each year and the dues collected, while still above the recurring expenses, have not been enough to sustain a proper margin to cover the various non-recurring expenses that arise frequently.

The HOA has three primary recurring expense categories:

1. Landscape maintenance for the four entrances
2. Water for landscape irrigation
3. Directors and Officers ("D&O") insurance

Two years ago, the D&O insurance premium increased from approximately \$2300 per year to \$4400. The increase had nothing to do with Monaco itself—the cost of all such policies across California increased dramatically due to a change in how insurance carriers underwrite the risk factors for HOAs and the rising legal costs of defending HOAs.

The water bills vary each year depending on how much rain we get. Overall water rates have increased and the water company has required that we install backflow devices at the entrances. Vallon & Rhone have been done but backflows still need to be installed at the other entrances. In addition to the cost of installing the backflows, the water company requires that they be tested annually by a certified vendor. As funds are available, we will install the backflows and upgrade the irrigation with more water-efficient equipment.

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In addition to the HOA's recurring expenses, there have been some significant non-recurring expenses recently such as entrance monument painting and new lighting, backflow valve installation and replacement (after a drunk driver demolished our new above-ground valve and his insurance did not cover the entire replacement cost) and a legal fee for defense of the HOA against a case brought by a homeowner.

Please see the attached page for a summary of the HOA's 2020 profit/loss statement.

In addition to these reasons for increasing dues, the Board has decided that the HOA's cash reserves need to be increased at a faster rate to cover future unexpected expenses without having to ask residents for a large one-time special assessment. The Monaco HOA has never requested such an assessment and wants to continue its track record.

Explanation of change #2:

With regard to the timing of dues payments, the Board has decided to convert to calendar year financial accounting and collect dues near the start of the calendar year. It will clarify the definition of the time period for which the dues are charged. Going forward, dues will be invoiced for 2021, 2022, etc instead of 20/21, 21/22, etc. Keeping the books on a calendar year basis will also simplify future transitions between Board treasurers.

Comments on dues amount:

The Board is well aware that the increase from \$90 to \$150 is significant. However, \$150/year (\$12.50/month) is an extraordinarily low rate for any neighborhood association and possibly the lowest rate on the Peninsula. Monaco is one of RPV's most prestigious and well-known subdivisions with average home values well in excess of \$1.5 million yet its HOA has been operating on a shoestring budget for decades. The HOA's current financial status is not sufficiently healthy to sustain its mission at a level that residents should expect of it.

The Board is grateful to the loyal dues-paying residents and thanks them in advance for understanding and acceptance of these changes.

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New Residents:

In 2020 Monaco welcomed 15 new residents to the neighborhood. The average sale price was just over \$2 million. I look forward to meeting all new residents over the next several months.

Monaco website:

MonacoHOA.com

The HOA's website has been re-designed by new board member Randy Coleman. Please visit it on a regular basis. Randy may be reached at admin@monacohoa.com if you have any comments on the website.

Monaco's website now has the ability to accept online dues payments from credit cards at no extra charge to you.

If you prefer to receive future invoices and correspondence by email, please let us know at admin@monacohoa.com

If you are not comfortable with making a payment in this manner, checks in the mail are always welcome.

We are also working on another new website feature-- special deals for Monaco residents at local merchants. When it becomes available, we'll put a button for it on the front page.

If you have any questions, comments, praise or criticism for the Board please contact any member (through the website) to discuss.

The HOA Board is currently seeking a few new members. Please contact me through the website if you might be interested in serving on the Board this year.



David Jankowski
President

Monaco Homeowner Association Profit /Loss

January -December 2020

Ordinary Income

2020 Collected Monaco HOA dues — — — \$18,395

Annual Expenses:

Landscaping total: \$11,725

— Gardening: \$ 5,400

— Entrance Repairs & Beautification: \$ 6,325

Liability Insurance: \$ 4,380

Licenses and Permits: 118

Water Bills: \$ 1,981

QuickBooks: \$ 320

Office Supplies: \$ 695

Website Hosting: \$ 839

PO Box Rental: \$ 134

Legal Expense: \$ 5,000

Other Expenses: \$377

Total Expenses: \$ 25,569

2020 Annual Profit / Loss: - \$ 7,174

Total cash assets \$18,060.33 as of April 15th, 2021