

2/24/2020

All Owners:

RE: 2020 Budget

The Board has been struggling with a budget for 2020 since last December. There were many unknowns, principally insurance which renews on March 22nd of every year. The Board was hesitant to agree on a budget without knowing what insurance was going to cost. As I wrote on 1/21/20, I believed that increases in costs would dictate a budget calling for a monthly assessment of \$990. I asked for comments. I received no negative comments. I did receive some positive comments, which I appreciated.

The Board Meeting scheduled for 1/25/20 had to be canceled due to challenging weather. We also did not get an insurance proposal until a few days ago. Current conditions have prevented in person meeting so the Board has been meeting by conference call.

The Board finally approved a budget for 2020 which calls for a \$930 monthly assessment, \$60 less than I recommended in January. The Board felt that current conditions required us to keep the assessment as low as possible while still meeting our obligation to maintain and protect everyone's investment.

ANNUAL BUDGET REPORT				
PRO FORMA OPERATING BUDGET				
2020				
				CLASS III
	Description		185	5
Acct No	Monthly Assessment		\$930	\$685
INCOME				
4000	Assessment		\$2,064,600	\$41,100
4002	Earthquake Ins Assessment		\$94,799	
4007	Sublease Rent (MLL)		\$94,500	
4010	Late Fees and Interest			
4015	Preferred Mooring Fees		\$27,400	\$721
4025	Transfer Fees			

4150	Vending Machines			
4035	Full size vehicle parking fee		\$5,000	\$132
4040	Second Cart Parking fee		\$7,000	\$184
4045	Rack Storage Fee		\$1,000	\$26
4050	Boat Storage Fee		\$5,000	\$132
4055	Class III Assessment		\$41,100	
4150	Interest			
4175	Rental Income			
4176	Verizon Lease		\$19,000	\$500
4177	Massage Room Fees			
4200	Refunds			
4875	Prior Year Carryover		\$0	\$0
4950	Other Income			
TOTAL INCOME			\$2,359,399	\$42,795
EXPENSE				
7050	Appraisals			
7070	Auto Expense		\$15,000	\$395
7110	Bank Charges		\$400	
7160	Education and Travel			
7165	Contingencies		\$3,000	\$79
7170	Contributions			
7180	Computer Support		\$500	\$13
7250	Dues and Subscriptions		\$200	\$5
7292	Fees/Penalties			
7294	Freight		\$3,000	\$79
7295	Functions And Meetings		\$5,000	\$132
7296	Golf Course etc. supplies		\$2,000	\$53
7329	Insurance Earthquake		\$94,799	\$2,495
7330	Insurance, general		\$450,000	\$4,300
7331	Insurance, group health		\$180,000	\$4,000
7332	Insurance, workers comp.		\$100,000	\$2,000
7334	Janitorial Supplies		\$15,000	\$395
7335	Internet Site		\$3,000	\$79
7340	Landscaping/Groundskeeping			
	Plumbing	\$500		
	Electrical	\$500		
	Tools	\$2,000		
	Plants			
	Grounds Upkeep	\$1,500		

	Equipment Upkeep	\$500		
	Tree Trimming Expense	\$10,000		
	Other			
	Total	\$15,000	\$15,000	\$395
7390	Legal and Professional			
	Accounting	\$12,500		
7390	Legal and Professional	\$10,000		
	Legal Transfer			
	Legal Collection			
	Total	\$22,500	\$22,500	\$592
7395	Lift Station			
7397	Mooring Fees		\$70,000	\$1,842
7470	Office		\$2,500	\$66
7480	Outside Services			
7489	Pest Control		\$8,000	
7490	Pier and Dock		\$25,000	\$658
7530	Postage		\$1,000	\$26
7540	Reproduction and copying		\$5,000	\$132
7550	Recreation Expense			
7560	Reserve Study		\$2,000	
7609	Inspections			
7610	Repairs and Maintenance			
	Appliances	\$2,000		
	Boat Storage			
	Buildings	\$15,000		
	Davit			
	Drywall			
	Elevator	\$5,000		
	Equipment	\$1,000		
	Fencing			
	Fire Equipment	\$5,000		
	Hardware Tools			
	Mooring Maintenance	\$19,000		
	Gate			
	Piano			
	Plumbing	\$5,000		
	Pool	\$12,000		
	Road			
	Security System			
	Sewage Lines			
	Signage	\$500		

	Total	\$64,500	\$64,500	\$1,697
7630	Fire Alarm System		\$22,000	\$579
7635	Supplies			
	Paint	\$20,000		
	Plumbing	\$2,000		
	Electrical	\$3,000		
	Washer/Dryer	\$3,000		
	Maintenance	\$4,700		
	Other			
	Total	\$32,700	\$32,700	\$861
7650	Licences and Permits		\$1,500	\$39
7661	Taxes			
7670	Transportaion			
7682	Trees			
7690	Payroll Taxes		\$63,252	\$1,665
7692	Payroll Acct Fee		\$11,000	\$289
7695	Payroll			
	Administrative	\$150,000		
	Maintenance	\$185,000		
	Painting	\$125,000		
	Security	\$160,000		
	Landscaping	\$133,000		
	Bonus			
	Other			
	Total	\$753,000	\$753,000	\$15,560
7701	Property Taxes		\$12,000	\$316
7750	State Taxes		\$3,000	\$79
7770	Telephone		\$45,000	\$1,184
7780	Uniforms		\$5,000	\$132
7810	Utlities			
	Hazardous Waste Removal	\$8,000		
	Trash Removal	\$25,000		
	Electricity	\$40,000		
7810	Water	\$50,000		
	Other			
	Total	\$123,000	\$123,000	\$2,500
7990	Miscellaneous			
8000	Transfer to Reserves		\$100,000	
8025	MLL Payment		\$94,500	

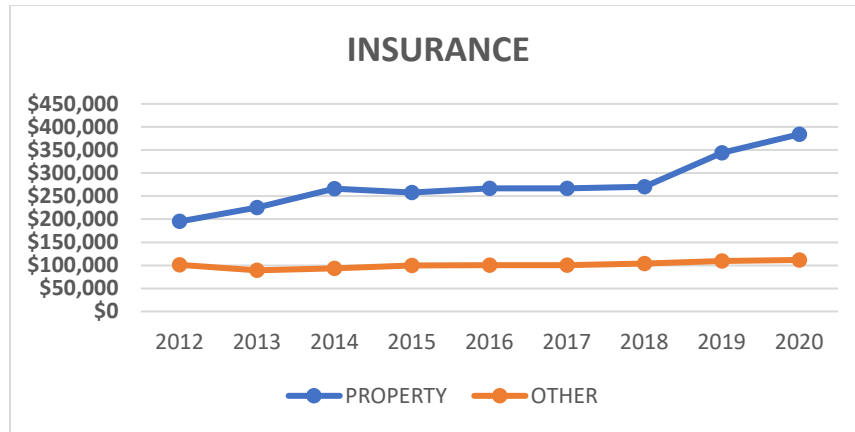
9500	Provision Fed Tax		\$6,050	\$159
	TOTAL EXPENSES		\$2,359,401	\$42,794
	NET INCOME		-\$2	\$1

We worked diligently to secure insurance. The broker we used for years, Bob Hessler, as well as a second broker shopped our insurance everywhere. Hessler marketed our insurance to over 50 carriers and finally came up with a proposal. (We did not receive a proposal from the second broker.)

Last year our property and liability insurance cost \$407,083.87. This year it costs \$449,455.07, an increase of \$42,371.20. Insurance costs, a major expense, are up 175% since 2012.

	2019	2020	+/-
PRIMARY PROPERTY	\$177,469.80	\$196,224.44	\$18,754.64
EXCESS PROPERTY	\$166,221.02	\$187,901.73	\$21,680.71
TOTAL PROPERTY	\$343,690.82	\$384,126.17	\$40,435.35
% of 2012	176%	197%	21%
AUTO	\$10,065.00	\$12,290.60	\$2,225.60
GENERAL LIABILITY	\$34,353.05	\$33,017.80	(\$1,335.25)
UMBRELLA LIABILITY	\$11,515.00	\$13,309.50	\$1,794.50
TOTAL LIABILITY	\$45,868.05	\$46,327.30	\$459.25
DIRECTORS & OFFICERS	\$7,460.00	\$6,711.00	(\$749.00)
FIDELITY & FOREGERY	Included	Included	
TOTAL OTHER	\$109,261.10	\$111,656.20	\$2,395.10
% of 2012	108%	111%	2%
GRAND TOTAL	\$407,083.87	\$449,455.07	\$42,371.20
% of 2012	158%	175%	16%

The increase is driven by our property insurance, not our other insurance:



Our experience is not unique. Other entities on the Island have experienced similar or greater increases. The current financial situation will likely result in even greater increases in the future. Insurance companies rely on premiums and investment earnings. When investments go down premiums go up.

With the help of Manny and Kathy, I monitor every expense. The following is an excerpt from the spreadsheet I use that goes back to 2010. In that year the assessment was \$900. In 2020, the assessment is 103.33% higher. During that same period, the CPI Index increased 123.29%. Total insurance increased 204.57%. Total expenses increased 139.55%. We control what we can control. Utilities were down to 52% in 2019 from what we spent in 2010.

HCHOA	2018	2019	BUDGET 2020	+/-
CPI INDEX	\$267.83	\$275.55	\$278.69	
% INCREASE FROM 2010	118.48%	121.90%	123.29%	
Assessment	\$990	\$840	\$930	\$90
% INCREASE FROM 2010	110.00%	93.33%	103.33%	
Insurance-General	\$343,082	\$407,084	\$450,000	\$42,916
% INCREASE FROM 2010	156.23%	185.38%	204.92%	
insurance--Group Health	\$147,906	\$163,816	\$180,000	\$16,184
% INCREASE FROM 2010	123.67%	136.97%	150.51%	
Insurance--Workmen's Comp	\$81,718	\$96,115	\$100,000	\$3,885

% INCREASE FROM 2010		462.89%	544.43%	566.44%	
Mooring Fees		\$64,158	\$66,393	\$70,000	\$3,607
% INCREASE FROM 2010		126.58%	130.99%	138.11%	
Repairs & Maintenance		\$93,367	\$82,455	\$64,500	\$17,955
% INCREASE FROM 2010		192.70%	170.18%	133.12%	
Payroll		\$745,808	\$779,811	\$753,000	\$26,811
% INCREASE FROM 2010		127.33%	133.13%	128.56%	
Utilities		\$179,511	\$107,217	\$123,000	\$15,783
% INCREASE FROM 2010		87.35%	52.17%	59.85%	
TOTAL		\$1,655,563	\$1,702,905	\$1,740,514	\$37,609
% INCREASE FROM 2010		132.74%	136.53%	139.55%	
TOTAL INSURANCE		\$572,706	\$667,015	\$730,000	\$62,985
% INCREASE FROM 2010		160.49%	186.92%	204.57%	
RESERVES		\$1,404,016	\$1,332,190	\$1,290,042	\$42,148
RECOMMENDED RESERVES		\$2,053,529	\$2,053,529	\$2,053,529	
		68%	65%	63%	

No employee has received a raise since 2018. The average wage for non-supervisory employees is \$14.72 per hour. We are operating with four less employees than in prior years. We will do everything we can to continue to control what we can control.

On another subject, COVID-19 will restrict the use of Hamilton Cove. The following notice has been posted:

URGENT NOTICE

**DUE TO THE COVID-19 VIRUS AND THE
VARIOUS GOVERNMENTAL ORDERS
THE FOLLOWING COMMON AREAS ARE
CLOSED:**

**GYM
POOL
SPA
CLUBHOUSE
CONFERENCE ROOM**

THE FOLLOWING COMMON AREAS ARE OPEN:

**BEACH
PUBLIC TOILETS IN THE BEACH AREA
TENNIS COURT
PUTTING COURSE
CROQUET COURT
DOG RUN**

**PROVIDED THAT ANYONE USING THESE AREAS COMPLIES
WITH SOCIAL DISTANCING RECOMMENDATIONS**

**BOARD OF DIRECTORS
3/24/2020**

The City of Avalon is asking people not permanent residents to not visit the Island. Go to the City's web site for information:

<http://www.cityofavalon.com/content/3180/8976/default.aspx>

We are monitoring the situation on an ongoing basis. So far, no problems with our employees.

Norris

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