

SUBJECT LINE: Annual Meeting, Election and More

TO: HCHOA OWNERS

Annual Meeting. The Annual Meeting will be held in person and by Zoom as permitted by Corp. Code Section 7510(f). There will be no holiday party. The Zoom Meeting will be held commencing at 2:00 PM on Saturday December 2, 2022. Owners at Hamilton Cove can go to the Clubhouse to vote in person starting at noon where at least one director will be present attending the Zoom Meeting from there. Zoom meetings may be attended by clicking on the link in the invitation on any computer device with access to the Internet or any smartphone. **Zoom invitations will be sent by a separate email.**

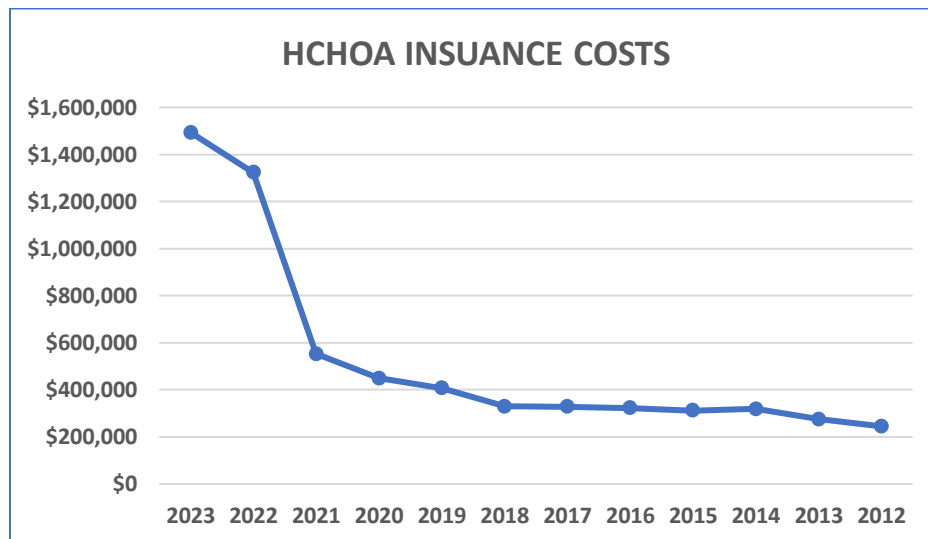
A Struggle. This year has been a struggle for many reasons and there are no signs that the struggle will get any easier. I want to take the time to lay out the problems so that everyone has a clear picture of what we face.

Costs Have Skyrocketed. HC is not a small operation. Including the cost of earthquake insurance and the special assessment brought about by unprecedented increases in the cost of fire insurance, the 2023 Budget is **\$3,911,926**. Six categories make up **92%** of the budget:

TOTAL BUDGET	\$3,911,926	
INSURANCE		
Insurance, general	\$1,493,366	38%
Insurance, workers comp.	\$120,000	3%
Earthquake Insurance	\$104,740	3%
TOTAL INSURANCE	\$1,718,106	44%
EMPLOYEES		
Payroll	\$900,000	23%
Payroll Taxes	\$80,000	2%
Insurance, group health	\$170,000	4%
TOTAL EMPLOYEES	\$1,150,000	29%
UTILITIES		
Fire Alarm System	\$30,000	1%

Telephone	\$25,000	1%
Electricity, Water and Thrash	\$250,000	6%
TOTAL UTILITIES	\$305,000	8%
PIER & MOORINGS		
Mooring Fees	\$82,000	2%
Pier and Dock	\$50,000	1%
TOTAL PIER & MOORINGS	\$132,000	3%
RESERVES	\$300,000	8%
EVERYTHING ELSE		8%

Insurance is a whopping 44% of the budget. The insurance we purchase is not discretionary. It is mandated by Section 9.01 of the CC&Rs. Full replacement fire insurance is required by every lender holding a mortgage at HC. The extent with which fire insurance has devastated our budget can be seen in the following graph:



I will discuss the difficulty in hiring employees below. The cost of keeping employees and hiring new employees, when available, has greatly increased. We compete with every other business on the Island. We started 2023 with the average hourly rate of approximately \$17.50. We will end the year with an average hourly rate of well over \$20, an increase of 15%. Nothing is secret. Hiring a new employee at a rate higher than current employees results in raises in order to keep employees.

We attack costs where we can. Rich Kirschner took on the battle of reducing our medical insurance costs and succeeded in finding a carrier acceptable to the Medical Center at a reduced cost, but it took prolonged negotiating with the only drug store in Avalon so that it would accept the insurance.

It took two years to accomplish but we were able to replace the fire alarm system with a radio based system and greatly reduce our costs, eliminating the costly telephone lines each alarm required. Martin Curtin headed up that project.

Severe Weather Is Not Our Friend. The first buildings, 3,4,5,6 and 7, were built in 1985, thirty-eight years ago. The last buildings were built in 1991, thirty-two years ago. They are aging and they were not built to withstand the severe weather we have been experiencing, particularly wind driven rain from the southeast. We are dealing with more leaks than we have ever had with fewer available employees to first find the source of the leaks and then perform repairs. Just getting access to Units, particularly during the season, is a challenge. People are using the Units. Currently, we have over 100 repair requests listed in the software program we use to keep track of needed repairs, the majority caused by leaks. Both Martin Curtin and Bart Glass, as the only Board Members residing full time at HC, are involved with the scheduling of repairs. We have three full time employees assigned to Maintenance. For the longest time we had only one painter. We very recently added some more painters, and they are being crossed trained for maintenance and security. Manny Rodriguez, our facilities manager, does a great job but he cannot do it without the necessary employees.

HC cannot be compared to condominiums on the mainland normally operated by management companies. None of the condominium projects on the Island are managed by a management company. HC is no exception. The Board members in their capacity as officers are the management company. It is a rare day that I do not deal with an issue involving HC including weekends.

Employee Availability Has Never Been Worse. The labor pool on the Island is suffering a severe, apparently irreversible, drought. We have difficulty obtaining applicants let alone qualified applicants. I am in contact with other employers on the Island. **Everyone is having the same problem.**

We have had negative experiences with new hires and employees I have never encountered before. People accepting a job, completing the paperwork and never showing up. Employees not showing up and not contacting us until later looking for their paycheck to be mailed to them because they moved off the Island. A new hire who showed up the first day, worked four hours and quit.

Members suggest we hire people from the mainland to do work that needs to be done. That has been tried before with disastrous results. Look at the explanation of our budget above. Hiring people from the mainland is not cheap. We have obtained bids. It is prohibitively expensive. How can we pay for such services?

Rental Activity. While still higher than in Pre-Covid 2019, rental activity peaked in 2022 and is in a decline:

HCHOA	2023			2022			2021			2019		
	Rntls	Nts	Ppl	Rntls	Nts	Ppl	Rntls	Nts	Ppl	Rntls	Nts	Ppl
JAN	215	627	691	183	477	554	58	168	247	169	481	516
FEB	248	646	776	343	888	1068	218	554	686	153	429	457
MAR	369	972	1251	506	1386	1795	396	1087	1349	215	655	741
APR	519	1336	1861	600	1615	2135	573	1595	2069	353	989	1206
MAY	505	1302	1653	600	1522	2116	641	1613	1270	323	890	1154
JUN	652	1712	2369	657	1757	2461	659	1876	2540	358	1015	1347
JUL	821	2350	3098	754	2279	2949	580	1912	2248	665	2146	2553
AUG	785	2183	2933	768	2367	2970	755	1510	2744	636	1562	2455
SEP	540	1482	1832	582	1588	2019	627	1822	2085	512	1405	1823
OCT												
NOV												
DEC												
TOTALS	4654	12610	16464	4993	13879	18067	4507	12137	15238	3384	9572	12252
+/- PRIOR YR	-339	-1269	-1603	486	1742	2829	1123	2565	2986			
% CHANGE	-7%	-9%	-9%	11%	14%	19%	33%	27%	24%			

Currently there are 119 Units, representing 62 % of total Units, being offered for Short Term Renting. This is an increase from prior years—2022-115 Units; 2021-111 Units and 2019-108 Units. More Units being offered has not prevented a decline in rental activity. The behavior of renters seemed to improve this year based upon the number of incidents reported. So far this year the Association has issued \$4,800 in fines.

Thirteen Units representing 7% of the total Units are occupied full time. The Board is aware of the efforts to restrict Short Term Renting. However, the Board has a fiduciary duty to respect the rights of all Owners and it is not taking sides in disputes between various groups.

Water. The Administrative Judge in Edison's General Rate Case, filed in October 2020, just issued his Proposed Decision. **If approved by the CPUC the proposed rates will result in major rate shock--increases from 200% to 300% for 2024 and more increases in subsequent years.**

Trying Times. The Board is doing everything it can to deal with the many problems described above. We are using every tool available to us. The problems will be ongoing. I appreciate the efforts of the current Board Members who are working to solve the problems.

Norris Bishton
President