

HAMILTON COVE HOMEOWNERS ASSOCIATION

NOTICE OF INCREASE IN REGULAR ASSESSMENTS (Civil Code § 5615)

April 30, 2025

Dear Member:

The Board of Directors (“Board”) for Hamilton Cove Homeowners Association (“*Association*”), has recently received an insurance proposal for the requisite¹ Property Insurance for the Association. In reviewing the Association’s budget for 2025 in conjunction with this insurance proposal, a budget shortfall has resulted. This insurance premium increase and the budget shortfall were considered and a path moving forward was decided by the Board at the March 14, 2025 meeting. The following is a summary and clarification of certain points surrounding the assessment increase.

As you may recall, the Association did not increase the monthly regular assessment at the start of 2025. This decision was made because the insurance proposal was not expected until February 2025 and, given the volatility of insurance premiums in recent years, the Board felt it would be unwise to increase assessments without accurate information.

The 2025 budget accounted for \$1,286,876 in general insurance costs. The insurance proposal for 2025 received for property insurance was for \$1,421,601. Based on the proposal for Property Insurance and other insurance costs (Auto Insurance \$12,516.60; General Liability Insurance \$33,946.22; Umbrella Liability \$26,934.11; Directors and Officers \$8,123), the actual budget for 2025 is \$1,503,178.77. Additionally, the Association received financing for its insurance costs and has a finance charge of \$49,072.16. The total insurance related costs for 2025 amount to \$1,552,250.93. This results in a \$265,374.33 budget shortfall for the 2025 budget.

The 2024 regular assessment for Class I was \$1,620 and for Class III was \$1,090. Pursuant to its power to do so under Civil Code section 5605 without membership approval, the Board may raise regular assessment rates by up to 20%. To meet the budget increase needs for the 2025 insurance premiums and insurance financing charge, regular assessment will be raised by 12.5% as follows:

- Class I’s assessment rate will be increased from \$1,620 to \$1,823
- Class III’s assessment rate will be increased from \$1,090 to \$1,227²

Collecting these increased assessment rates from June to December will lead to an increase in \$268,639 in assessment income, covering the budget shortfall. Moreover, this is less than the 20% increase that the Board is statutorily permitted to levy without the approval of the membership.

The Board will continue to assess the financial condition of the Association and make adjustments accordingly. In the meantime, the increased assessment amount will be due beginning June 1, 2025, and will be noted on your June statement that will be received in late May.³

¹ Declaration of Covenants, Conditions & Restrictions, Article IX, Section 9.01.

² A previous notice dated April 16, 2025 indicated that the increased assessment rates would be \$1,742 for Class I members and \$1,172 for Class III members. Those rates were based on collecting the increased assessments over an eight-month period. The updated rates reflect a shortened six-month collection period.

³ Invoices for the May 2025 assessments were prematurely circulated to members on or about April 16, 2025

The Board sincerely thanks the Membership for its patience and understanding as the Association navigates the complexities and uncertainties of today's insurance landscape. We look forward to continuing to work hard together to address challenges and find solutions as a community.

noting increased rates. However, the May 2025 assessments should have been billed at the prior, non-increased rates (\$1,620 for Class I and \$1,090 for Class III). If you have already paid the April 16 invoice, your account will be credited for any overpayment, and the credit will be applied toward your June assessment.