

HIGHLAND TRAILS HOMEOWNERS ASSOCIATION

16212 BOTHELL EVERETT HWY. #F188, MILL CREEK, WA 98012

NOTICE TO HOMEOWNERS

The Highland Trails Homeowners Association will hold the Annual Meeting of the Association. This meeting is required in Article 3.1 of our Bylaws, which specify that it must occur on the second Thursday in April. The meeting details are as follows;

DATE: Thursday, April 10, 2014

TIME: 7:00 pm

PLACE: Mill Creek Elementary School Library, 3400 148th St SE, Mill Creek, WA 98012

Items on the Agenda include;

- 2014 Budget Actuals
- 2015 Budget and Dues
- Upper Sports Court
- Election of Officers

All homeowners are welcome to attend, and your participation is encouraged. We will have at least one vacant board member position and are actively seeking volunteers for that position. We look forward to seeing you at the Annual Meeting!

Please read the Association Update on the following pages for important information about the limited number of Board Members that can attend this meeting!

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ASSOCIATION UPDATE

This update contains information that is normally presented at the Annual Meeting.

Article 3.1 of our Bylaws specifies that the Annual Meeting must occur on the second Thursday in April. Unfortunately, 3 of the 5 Board Members will be out of state on that day, and we are not permitted to change the date of the Annual Meeting.

To facilitate timely and accurate information about the activities of the Association, the Board is presenting this content to all homeowners. We encourage your feedback through any of the methods listed at the bottom of this page. You can also come to the Annual Meeting, where your input will be captured so that the full Board can respond to it in a timely manner.

We're sorry that our commitments do not allow all of us to be available at the Annual Meeting. We're hopeful that this Update provides the same information in an equally useful format.

Financial

Fiscal Planning

The Association operates on a needs-based budget. That is, we predict what the costs will be for the upcoming fiscal year. We then add in our annual reserve contribution (see below). The total amount is then spread equally among all 126 households as annual dues.

We are currently early in the process of predicting our 2015 Budget. The Board has recently had its first initial review of the Draft 2015 Budget and it is included here as reference only. The Board will formally adopt a 2015 budget later this year, and dues notices will be mailed to all homeowners.

Operating Budget

The Homeowners Association is responsible for the maintenance of the common areas and the utility costs for the neighborhood. Our operating expenses also include administrative and legal costs.

The attached Draft 2015 Budget reflects these charges in the Administrative, Utilities and Common Area Maintenance sections.

Reserve Account

As our neighborhood ages, we will experience costs associated with an aging infrastructure. Over the last 5 years, the Board has been working to increase the Reserve contribution each year. Our

goal is to have a yearly contribution of \$15,000 to our reserve account. Our current 2015 budget reflects a \$14,000 reserve amount.

Association Dues

Our fiscal year matches the calendar year. We collect dues each August so that we have the funds available for the next calendar year. This is a strange arrangement, but it is mandated in our legally binding documents. Our Treasurer has prepared detailed information on projected versus actual totals for last year, as well as how we are doing through the first quarter of this year.

2015 Dues

The Board has made several adjustments to our Draft 2015 Budget to limit the increase of the dues from last year. In 2013 the amount collected was \$372, and we hope to be around \$378 this year, but the exact amount remains to be determined.

Previously Delinquent Accounts

The Board has been successful in collecting past due accounts. Our Attorney has advised us that we have a fixed amount of time to legally collect a debt from the time it was incurred. The Board has a fiduciary responsibility to all homeowners to collect all dues owed.

As a result, we have initiated legal action against property owners with multiple years that have not been paid. Two of these cases have resulted in lawsuits that went to court and the Association was awarded judgments in both cases. Other cases have resulted in homeowners entering into payment agreements with the Association. Accounts that failed to pay the 2013 dues have had liens placed on their properties. These liens ensure that the house cannot be sold, transferred or refinanced without the account being paid in full with interest.

There are legal costs associated with these actions. All activities of the law firm are tracked and charged to each delinquent household. These costs can significantly increase the total amount that must be paid to bring the account current.

When an account fails to pay on time, the HOA transfers funds from our Reserves to cover the shortfall. The Reserve Fund is also used to pay for legal expenses related to collections. When the homeowner eventually brings the account current, those monies will be used to replenish the Reserves.

Association Management

The HOA is managed entirely by a Board of Directors. Board Members must be homeowners. Their contribution to the HOA is purely voluntary. Board Members pay the same dues as every other homeowner and receive no benefits or special treatment.

What You Are Paying For

The Annual Dues cover our bills, including streetlights and maintaining the common areas. Anytime you contact the Association, you are speaking to a neighbor who has agreed to volunteer to help

support Highland Trails. We do our very best given that we lead busy lives with work and families. We appreciate it when people address us in a kind manner fit for neighborly communications.

Contacting the Board

We have enacted numerous methods for homeowners to contact the Association, and these have proved to be quite effective. These include;

- Phone number with 24 hour voicemail (425-609-0381)
- Mailing Address (16212 Bothell Everett Hwy. #F188, Mill Creek, WA 98012)
- E-Mail Address (board@highlandtrails.org)
- Website (www.highlandtrails.org)
- Facebook Page ("Highland Trails Homeowners Association")

We set an expectation of a response within one week. We make every attempt to reply sooner when possible.

Addressing Issues

The Board is contacted frequently on numerous issues. In all cases, we are guided by the Declaration Of Covenants, Conditions And Restrictions and by our Bylaws. These are the legal documents that grant the Association authority to take action. Our documents are very vague, but we must operate strictly within their limits. Many of the things we are contacted about are simply not prohibited in our Covenants.

However, those things are frequently specifically addressed in the Mill Creek Municipal Code. The City has a Code Enforcement Officer who has proven to be exceptionally responsive when we forward information to them about issues.

Some issues are relatively minor and usually involve neighborly issues that individuals are not comfortable contacting people directly about. These can include;

- Noise Complaints
- Animal Complaints
- Vehicle Complaints

Changing the Covenants

There are often issues that some homeowners feel we should modify our covenants to cover. To modify the covenants, we are required to conduct a vote, and the measure must pass with 80% of the homeowners actively responding in the affirmative that they want to make the proposed change. We believe, and our Attorney concurs, that it would be very difficult to get any measure approved.

Election of Officers

The Board of Directors is elected at the Annual Meeting. This is your opportunity to not only select people to run the HOA, but also to make your contribution. We hope you'll consider helping out by serving a one-year term as a Board Member. We currently have a vacancy for a Secretary. This

position involves taking meeting minutes, preparing the minutes documents and delivering the minutes in a timely manner. The Secretary shares full responsibility with the other Board Members.

Moving Forward

We have a variety of tasks and goals on our agenda. These include;

- Trees - We recently concluded a thorough inspection of the trees in the common areas by an Arborist. Our landscape firm and a tree removal firm are addressing issues that were identified.
- Upper Sports Court - is covered in a slick matter. We have had this removed in the past and it is difficult and expensive to treat. The Board is considering alternatives, including removal of the infrequently used court.
- Signs - The City of Mill Creek will install Dead End signs at the interior cul-de-sac entrances.
- Trails - We plan on having a Neighborhood Work Party in June. The purpose is to reclaim our trail system from moss. We will post mailbox flyers as the event draws closer.

We hope this information is helpful to you. We welcome your input, either via the methods listed in this document, or at the Annual Meeting.

Regards,

A handwritten signature in black ink, appearing to read "Ed McNichol". The signature is fluid and cursive, with a large initial "E" and "M".

Ed McNichol
President
Board of Directors

DRAFT 2015 Budget

	2012 Actual	2013 Actual	2014 Actual To Date	2015 Budget
Annual Dues	\$367	\$367	\$372	\$376
Income:				
Dues	46,242	46,242	46,872	47,357
Late Charges	-	200		
Legal Reimbursement	162	2,647		
Interest Income		481		
Other	100	200	75	
Total Operating Income	46,504	49,770	46,947	47,357
Operating Expenses:				
Administrative				
Office	722	311	108	400
Community Program	91	48	-	50
Insurance Expense	1,956	1,957	-	1,957
Taxes & License Renewal	10	10	10	10
Legal Expense - General	1,859	759	27	750
Legal - Dues Collection	1,071	14,187	659	500
Total Administrative	5,710	17,272	804	3,667
Utilities				
Electric	719	735	128	740
Water	4,233	4,854	73	4,500
Total Utilities	4,951	5,589	201	5,240
Common Area Maintenance				
Landscaping - contract	23,389	23,339	3,891	24,000
Landscaping - other	82		-	100
Tree Care/Pruning	349	170	4,000	350
Irrigation System	-		-	-
Grounds Maintenance	20,187		-	-
Total Maintenance	44,006	23,509	7,891	24,450
Total Operating Expenses	54,667	46,370	8,896	33,357
Reserve Contribution				14,000
Net Operating Cash Flow	(8,163)	3,400	38,051	-
Dues required for operating expenses				\$265
Dues required for reserves				\$111
Total Minimum Dues				\$376

Cash On Hand	<i>44,060.00</i>
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