PRESIDENTS MESSAGE

I’m sorry that work has required me to be out of town and miss the Annual Meeting. I’d like to share my views on the state of the Association, and recap the activities of the last year.

Financial
Operating Budget
In previous years, we had fixed the amount of the dues and then found a way to do the best we can with the actual amount collected. We are completing our transition to a needs-based budget. In this model, we make our best estimation of the amount needed for the next fiscal year and then collect that amount.

Reserve Account
As our neighborhood ages, we will experience costs associated with an aging infrastructure. These could range from relatively simple tasks like replacing mailboxes to much more challenging items, like repaving the trail system in a phased multi-year project. Over the last 3 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 2014 budget reflects an $11,000 reserve amount, raising to $13,000 in 2015 and reaching our target in 2016.

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 set in our legally binding documents. The Board is now in the process of estimating our expenses for 2014 so that we may set the dues amount. Our Treasurer will present detailed information on how we did on projected versus actual for last year, as well as how we are doing through the first quarter of this year. You will have an opportunity to review the initial proposed budget for 2014 and offer your input.

2014 Dues
Once we set the 2014 budget, we will take the total estimated expenses combined with our reserve contribution. This provides the total amount to be collected. We then divide that number by the total number of houses to determine the amount due from each household. Our initial budget reflects a potential dues amount. The actual amount will be determined once the Board approves a 2014 budget, and you will receive invoices in the mail.
Previously Delinquent Accounts
The area of most change the past year has been in our delinquent accounts. First, an update on previously delinquent accounts;

The Board has acknowledged that these can be difficult times, and we believed that homeowners would bring their accounts current when they had the means to do so. However, our Attorney advised us that we have a fixed amount of time to legally collect a debt from the time it was incurred. And the Board has a fiduciary responsibility to all homeowners to collect all dues owed.

This information forced us to change how we address those homes that fail to pay their dues. Working with the Anderson Hunter Law Firm, the Board established a fixed fee schedule that includes late fees and interest. We adopted a policy on handling delinquent homes and then applied that policy uniformly to all households in arrears.

We chose an approach that is very heavy on communication to the homeowner. The HOA sends numerous letters and statements. We then have our Attorney send letters. If the homeowner fails to respond, we place a lien on the property. The Attorney will continue to attempt contact. Depending on the age of the account, we will file a personal lawsuit against the homeowner before we lose the ability to use that mechanism.

All of these actions incur increased costs for those who have not paid. All activities of the law firm are tracked and charged to that household. These costs can significantly increase the total amount that must be paid to bring the account current.

Following this policy, the number of delinquent accounts has dropped from 19 to 6. We are now filing lawsuits against 4 of those households in an attempt to recover monies due. Our only other option was to force foreclosure on those households, but then the HOA would own the property and be responsible to other lienholders and lenders.

Future Delinquencies
In the past, our budget was at risk if a single household failed to pay. To accommodate that, the Board had to estimate the amount of households who could not pay and set dues appropriately. This resulted in every household having increased annual dues to “front” the funds for nonpayers.

Moving forward, we are setting the dues based on the fixed number of houses. Should a home fail to pay their dues, we will transfer that amount from our Reserve Account into the General Fund to cover the shortfall. The reserve Fund will also be 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 elected at the Annual Meeting. The Board is responsible for all activities of the Association. Board Members must be homeowners. Their
contribution to the HOA is purely voluntary. Board Members must 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
- Mailing Address
- E-Mail Address
- Website
- Facebook Presence

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

Some issues are much more complicated and can seriously impact Highland Trails. For instance, some homeowners in the new development to the East contacted us in the last year. Trees in our wetlands area, but outside of their neighborhood, were starting to lean towards their houses and were at risk of falling.

Working with those homeowners, and upon the advise of our Attorney, we were able to craft a resolution whereby we allowed those specific few trees to be removed at their expense. We
maintain that the improper grading of their development caused the issue. Communications from our Attorney assisted in giving them the resolution they sought while protecting our potential liability.

**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. All of our current Board Members are original owners and have spent many years serving on this body at one time or another.

I personally see serving on the Board as an opportunity to give back to the area where we chose to live and raise our family. It seems unfair to me to demand much while giving nothing, so I donate my time and energy. I hope you’ll consider helping out by serving a one-year term as a Board Member if there is a vacancy.

My desire is to bring a friendly and neighborly approach to Highland Trails. I am willing to serve an additional term if elected.

Regards,

Ed McNichol
President
Board of Directors