

STONEHAVEN PLACE SOUTH HOA

FREQUENTLY ASKED QUESTIONS REGARDING A SPECIAL ASSESSMENT

1. What is a Special Assessment?

A Special Assessment is a method used by the Board of Directors of an Association to raise funds for a project, the cost of which exceeds the ordinary operating income (assessments) and reserve funds of an Association.

Examples would include maintenance of large portions of Association common area landscaping, unanticipated repairs to common area property (such as the brick walls or irrigation system), storm damage, and legal settlements.

2. Does a Special Assessment require the approval of members of the Association?

If the Board of Directors proposed construction, or even remodeling, of a community building or a swimming pool; then, yes, approval from members of the Association, as described in the Bylaws of the Association, would be required.

A Special Assessment which is to be used for maintenance or repair of Association common area property, such as refurbishing landscaping, repairing a brick wall, or replacing a non-functional irrigation system controller, does not require approval from members of the Association.

3. Is there a ceiling or "cap" as to the amount of a Special Assessment in the Governing Documents of the Association?

No. However, the Board of Directors may authorize a Special Assessment for maintenance and repairs only once in any twelve month period without approval of members of the Association.

4. Why is a Special Assessment needed at this time?

The funds available in Association accounts, and the projected Assessment income for the balance of 2016, are not sufficient to cover the expenses of the maintenance items described in #5 below. The Association budget for 2016 anticipates a net operating loss of \$162.00 prior to considering the costs of the maintenance items.

5. How will the funds collected through the Special Assessment be spent?

The Board of Directors has determined there are four sections of Association common areas which demand action, maintenance, or repairs to protect Association assets or maintain the appearance of the Association. The expense estimates and an expanded description of the maintenance activities are shown on the 2016 Maintenance Items sheet. Briefly, they include:

- a. Refurbishing the landscaping along Coit Road and Stonehaven Drive
- b. Restoring washed out soil beneath the brick walls along Stonehaven Drive
- c. Removing a number of live oak trees along Stonehaven Drive. The tree root systems are causing damage to the brick walls, especially the columns. The Association has spent \$8,600 in the last 36 months to repair damaged columns and walls.

STONEHAVEN PLACE SOUTH HOA

FREQUENTLY ASKED QUESTIONS REGARDING A SPECIAL ASSESSMENT

- d. Replacement trees. Not all trees removed will be replaced as they were originally planted too close to each other. The replacement trees will not be live oaks, nor will they be placed in the same locations as the existing trees

6. Your letter mentioned Special Assessments in 2016 and 2017. Is this really necessary?

Possibly not. The letter mentioned a \$200.00 Special Assessment in 2016 and a \$200.00 Special Assessment in 2017. That is the "worst case scenario"; the 2017 Special Assessment may be for less than \$200.00. The Board will provide updates to the members of the Association as the year progresses.

7. What is the timeline of the 2016 Special Assessment?

The invoices will be dated February 15, 2016. Payment is due on March 15, 2016. The account will be delinquent if payment is not received by March 31, 2016.

8. Will there be an increase in the Regular Assessment?

Not at this time. However, the Association has experienced an increase in monthly operating expenses for common area landscaping maintenance and irrigation water.

The plans for landscaping along Coit Road include installation of drip irrigation where feasible. It is anticipated doing so will reduce irrigation water expense. The landscaping plans for Coit Road make extensive use of materials which do not require water or landscape maintenance. The plans are in keeping with the recommendations by landscape professionals for the use of drought tolerant plants in this area and techniques for water conservation advocated by the City and the North Texas Municipal Water District.

9. Does the Association have any other way to raise the funds needed?

Yes. The City of Plano has implemented a Vitality and Beautification Grant Program which matches expenditures by Homeowners Associations and other groups seeking to beautify or refurbish areas for which they are responsible. The areas must be clearly viewed by, or be accessible to, the public. In the case of the Association, the common area along Coit Road has badly deteriorated due to the drought, watering restrictions, and lack of sunlight caused by the tree canopies. The Board of Directors wishes to refurbish the area using direct Association expenditures and matching beautification grant funds.

The Grant Application has been submitted and is under review by the City of Plano Grant Committee. The Association will be notified by March 1, 2016, if it has been awarded a Grant. The Association has applied for a matching grant of \$10,000 in this cycle and will apply for another \$10,000 in the August cycle. If awarded, the grants will reduce the Association expenditures to refurbish Coit Road by 50%. Note: In the event the Grant is not awarded by the City, the Board of Directors will reconsider the scope of the proposed projects.

STONEHAVEN PLACE SOUTH HOA

FREQUENTLY ASKED QUESTIONS REGARDING A SPECIAL ASSESSMENT

10. Why do you have to ask for more money? Are there ways to reduce expenses?

The Board and the management company continually seek to manage expenses. The annual budget of the Association contains very little discretionary spending. The \$500.00 allocated annually for Social expenditures is the only discretionary line item in the Budget. (.0079% of the Annual Budget)

As an example of expense management initiatives, the effort in 2015 to amend the Governing Documents included revisions which would allow the Association to communicate with Association members by e-mail rather than by traditional letters and mailings when possible, with a minimum savings of \$250.00 per mailing.

- a. Unfortunately, fewer than 15 members of the Association have elected to receive information via e-mail in response to the recent Opt-In campaign; the expense reduction will be insignificant. Efforts will continue to encourage more members of the Association to Opt-In to receive communications via e-mail.

Other initiatives have included closely managing the irrigation system watering cycle frequency and duration, changing insurance providers, and reaching an agreement with the Association attorney regarding preparation and review of legal documents to minimize hourly billing at attorney rates.

11. You indicate you plan to remove many trees. Where are the trees located? Why did the Association pay to prune trees in December which will be removed a few months later?

The trees involved are those along Stonehaven Drive. The trees along Coit Road are not involved and are not planned for removal unless they become diseased or damaged.

A preliminary assessment of the trees along Stonehaven Drive indicates up to 8 trees should be removed in the next 4 to 8 months as the roots appear to be undermining the adjacent brick walls. The remaining trees along Stonehaven Drive will be closely monitored; as soon as it is determined a tree is beginning to cause damage to the brick wall, it will be removed.

The trees were pruned for three reasons:

- a. The City of Plano requires the tree canopy be kept a minimum of 14 feet above roadways and alleys and 7 feet above sidewalks. Many of the pruned trees were at or approaching the minimum height clearances.
- b. Pruning the trees will assist in restoration of the turf grass along Stonehaven Drive by allowing sunlight to reach the ground during the growing season.
- c. Some trees were growing over homes; the limbs had the potential to damage private property or the brick walls in the event of severe weather.

Note: The trees and common area along Coit Road are the responsibility of the Association; the stone wall is the responsibility of the City of Plano. If and when repairs to the stone wall are required, the repair expense will be borne by the City. The direct expense will not be "billed back" to the Association or to owners of properties which abut the stone wall.

STONEHAVEN PLACE SOUTH HOA

FREQUENTLY ASKED QUESTIONS REGARDING A SPECIAL ASSESSMENT

12. Will the funds raised through the Special Assessment be used for other projects?

Not specifically for other projects. However, the Reserve Fund of the Association has been depleted over the last three years. The funds on deposit were used to

- a. meet operating expenses which exceeded budgeted estimates for repairs to the brick walls and the irrigation system,
- b. pay for legal services and document filing expenses required due to changes to the Texas Property Code enacted by the Legislature in 2013 and 2015,
- c. pay for legal services, reproduction expenses, and filing expenses incurred in the development of the Architectural Guidelines in 2014
- d. pay for legal services, reproduction expenses, and filing expenses incurred in revising the Governing Documents in 2015.
 - i. The Amendments to the Bylaws of the Association were approved at the 2015 Annual Meeting and were filed with the Clerk of Collin County. Obtaining Association member approval of the proposed amendments to the Covenants, Conditions, and Restrictions is ongoing.
- e. refurbish the Coit Road and Preston Meadow entrance landscaping.

The general rule of thumb for Reserve Funding levels is three to six months of ordinary operating expenses. In the case of Stonehaven Estates, that would be \$15,000 to \$30,000. Since the Association owns no physical assets, other than the brick walls in the common areas and the irrigation system, a Reserve Fund of \$5,000 to \$8,000 is adequate to meet emergency needs.

Any funds "left over" from the 2016 Special Assessment will be used to reconstitute the Reserve Fund