

Kings Point Trail Association

1075 Kingwood Dr. Suite 100
Kingwood, TX 77339
281-359-1102
Web Page: Kingspointtrail.com



June 13, 2014

Kings Point Trail Association Residents,

You should have recently received your July 1, 2014 annual assessment from the trail association, and you probably noticed that the assessment increased from \$100 per year to \$105 per year. The board debated the additional \$5 increase and determined that a small increase was needed to:

- (1) Maintain the existing trail system in a safe, attractive, and usable condition for the residents throughout the year.
- (2) To make improvements as needed including the replacement of trail walkways, bridges, benches, fences, and bulkheads.
- (3) Deal with extraordinary events that affect our forest reserve.
- (4) Continue our policy of maintaining a reserve fund.

We perform ongoing trail maintenance as needed, and every year, we review and identify the trails assets that need to be replaced. We have spent approximately \$390 thousand dollars in the past four years on maintenance of the trails. A more detailed explanation of these expenditure is presented below.

- (1) The annual operating expenses generally range from \$160k to \$185k. This pays for routine grass cutting, foliage trimming, trash pickup, trail cleaning, bridge and bench repairs, vandalism repairs, live tree trimming, dead tree removal, landscaping of connector beds, property taxes, drainage fees, insurance, administrative fees, etc. At this level of expenditures (without any extraordinary weather event), we realize a small surplus of income over expenses. However, operating expenses are sometimes much higher such as in 2012 when they totaled almost \$276k due to the need to remove dead trees created by the drought. Prior to that, we experienced hurricanes Ike in 2008 and Rita in 2005. Each of these events required expenditures that created deficits in those years. It then takes several years of surpluses to offset the deficits.

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- (2) Besides the routine maintenance described above, we must replace trail assets that become a safety hazard, are worn out or damaged beyond repair. To do this, we create and maintain a "reserve fund". In 2007, a study by an independent consulting firm was performed to assess the expected cost of replacing damaged/worn out trail assets over the next 20 years. Total trail assets were valued at approximately one million dollars (in 2007), and an annual contribution of \$36,000 to a reserve fund was recommended. Since that study, our reserve fund has actually decreased by approximately \$120k, and is below the balance recommended in the study.
- (3) What the study cannot determine is the when and extent of any extraordinary events. We live in the Gulf coast and besides the occasional hurricane, we also have tornados, droughts and pine bark beetles. All of these "events" require capital to address. As stated above, our normal operating budget leaves little room for dealing with events that cost \$200K or more in a single year.

Despite all the above, we believe that we are adequately funded for the next few years. However as the study projected we also believe that there will be an increase in capital expenditures in the next 5-10 years due to the age of our trails. To insure that we meet these future needs the Board voted the modest increase in your annual assessment.

If you wish additional information, you are welcome to attend any monthly meeting or our annual meeting in November.

Respectively,

Kathleen Muhle, President KPTA
Gene Morris, Treasurer/Secretary KPTA

Cc: Kings Point Directors
Ethel McCormick, Kingwood Association Management