Marrcrest Home Owners Association
Monthly Fees or Annual Assessment for 2024

The Home Owners Association has three possible sources of funds to manage the affairs of the community: 1) monthly fees, 2) special assessments approved by 67% of the members and 3) voluntary contributions from individual HOA members. One of the most important duties of the HOA board is to determine the monthly fees (annual assessment) paid by each member. Those fees will be used to meet the current and future costs of the community. The community By-Laws, filed on 4/7/23, state under sections 2-c, that the Board is required to "fix the amount of the annual assessment for current and anticipated maintenances costs for each lot at least (30) days in advance of each assessment period." That period starts on January 1, 2024. Also, the Board is to "send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period."

The fee, established by the Board, is designed to pay 1) the accumulation of the costs and services required to maintain the community on a day-to-day basis (operating costs) and 2) the projected costs of maintaining the community grounds and assets over time (reserve funds) as forecast by outside professional analysts and presented to the HOA in the form of a Reserve Study. The latest reserve study, prepared on 1/1/22, can be found on the community web site. A reserve study, according to Utah code, should be prepared or updated every three years. A new reserve study will be prepared and available on 1/1/25. The forecast costs, in both cases, need to be adjusted each year based upon economic conditions in the country, the state and specific challenges in the Marrcrest community.

CURRENT EXPENSES - OPERATING COSTS

One key factor in determining the fee is inflation. The current monthly fee of $180 was established three or four years ago. Over the last four years, including the forecast for 2024, the cumulative rate of inflation, or the CPI, is 22.43%. (year by year rate, +1.23% in 2020, +4.7 in 2021, +8% in 2022, 4.4% forecast for 2023, + 4.1% forecast for 2024). If you apply that to the current monthly fee, the new fee for 2024 should be $220.73.

Specific increases for the state of Utah affecting our community include things like increased water rates, increased sewer and gray water rates, increased rates for lawn and landscaping care, and special projects like the trimming of the pyracantha bushes, and the costs of the current litigation.

Specific challenges to the Marrcrest community include the unplanned items that require funding but can't be budgeted for in advance like the higher cost of snow removal, spraying the trees for various blights and pitch moth bores, tree removal and trimming, and increased legal costs associated with current litigation. The goal of a budget is to try to forecast what expenses might be incurred in the coming year and to provide funds to pay for those expense. Unexpected snow removal or tree removal costs might run a few hundred to a few thousand dollars, which is generally not a problem for the community. The board had a line-item budget for legal fees in 2022 of $2,500. That has been adequate in past years. The community rarely used the full budgeted amount in this category during past years. The actual legal fees incurred in 2022, as result of the law suit, were $20,023.50, or $17,523.50 more than budgeted for. When the board prepared the 2023 budget, they budgeted $10,000 for legal fees to cover higher anticipated legal expenses from the lawsuit. As of 7/31/22, the billed and paid legal fee total for the current year was $21,617.50. It is anticipated that there will be up to an additional $10,000 in legal fees due by the end of 2023. Again, the legal fees are far in excess of the anticipated and budgeted amount in this category. The board is in the process of preparing the 2024 budget for the community and will be increasing the amount needed in the legal category in anticipation of higher costs associated with the ongoing lawsuit. A copy of the 2024 budget will be sent out to you when it's available.

The legal costs incurred in 2022 and 2023 have significantly drained the operating account of the HOA. In July of 2023, the account did not have sufficient funds to cover the full amount due Provo City for the community water bill. A private HOA member volunteered to contribute the necessary funds to cover the deficit amount.

LONG-TERM RESERVE FUNDS FOR MAINTAINING COMMUNITY ASSETS

The reserve fund holds money that is designated to pay for future needs like road repairs, plumbing problems, pond dredging, playground equipment additions or replacement, etc. As indicated, the Reserve Study is designed to help the Board know how much the HOA should save to pay for future maintenance and capital improvements. The 1/1/22 study states that our community should save at least $4,150 per month (increasing 3% per year) to meet some of the future needs. In 2022, the HOA only contributed $3,192 per month to the fund, or 77% of the recommended amount. The recommendation for 2023 is $4,275 per month, but we only contributed $1,716 or 40% of the recommended amount. The HOA did not make the necessary payments to the reserve account because funds were necessary to be placed in the operating account to cover the higher legal costs related to the lawsuit.

According to our reserve fund analyst, on 1/1/22, the reserve fund was reported to be 28% funded which is considered to be “weak,” with 31% to 69% considered to be “fair,” and 70% and above “strong.” Due to the reduced funding over the last few years, we have probably dropped closer to a 20% funded reserve account. It has been suggested that a fee of $240 to $250 per month would give us an opportunity to add to the reserve account with a goal of getting into the “fair” category of 31% or higher. We need to save for future needs like road repairs. You have probably noticed that Marrcrest is now faced with “pot holes”and deteriorating road conditions that will need attention in the near future. The reserve account has a current balance of approximately $140,000. Funds from the reserve account cannot be used for any operating costs, but can only be used for acquisition, care and maintenance of long-term HOA assets.

After reviewing the above information and current economic conditions that are totally out of the Board’s control, the Board voted, at the regular board meeting held on 9/18/23, to raise the monthly fee for 2024 to $225.00. This increase will begin on 1/1/24. We are sending this letter out early so you can start to plan your personal finances for the coming year.

Thanks for being a caring member of our great little community.

Respectfully,

The Marrcrest HOA Board
10/3/2023