



Executive Committee Annual Report for the 2014 AGM

Welcome to the 2014 AGM

The AGM will again be at the **Holiday Inn at 7.00pm on Wednesday February 26**. It is very important that you either attend or fill in a proxy form as if we do not have a quorum we will have to repeat the meeting with the attendant inconvenience and considerable cost – it costs about \$3/4k to hold a general meeting.

Following a review of attendances our Strata Managers, StrataChoice, advise that almost none of the last 8 general meetings of Altair would have been able to take place without proxies as simply not enough owners have attended. StrataChoice also advise that, in their experience, most general meetings for similar buildings (over 100 apartments) could not proceed without proxy support.

Proxies are necessary and vital to the meeting proceeding.

We would obviously prefer that you come to the meeting but if you **can't please sign a proxy form**. There are proxy forms in this 'pack'. Proxy forms can be deposited in a box at the concierge's desk, or handed, faxed or mailed to the Altair Building Manager or Strata Manager. Please note that proxies must be received at least 24 hours before the start of the meeting. Please also note that your levy payments must be fully paid up in order to make your vote count.

Looking back on 2013

2013 goals

At the 2013 AGM we set the core goals for 2013 as:

- a) **Stick to the Plan.** Monitor all actions and costs. Make prudent decisions to maintain Altair as a premium building with a keen eye on costs and value for money under our philosophy of funding the building Admin Fund at effectively break-even and using the 20-year plan to inform and drive the Sinking Fund.
- b) **Focus on Service.** Re-orient our focus from 'rebuilding' Altair to maximizing the Altair experience for residents. This is not a major swing but a re-balancing of management actions ensuring that we always maintain the highest services of both maintenance and service.
- c) **Resolve the Exterior Maintenance Plan.** Install the roof car or alternative device so we can effectively and efficiently paint, clean and generally maintain the outside of Altair.

Goal a: Stick to the Plan.

We have a 20-year Financial Plan. This allows us to manage the building pro-actively rather than simply react to events as they unfold.

In 2011 we started executing the new 20-year Expenditure Plan. In 2012 this was integrated into a complementary 20-year Financial Plan. These plans have been further developed in 2013. They are active management tools and are our roadmap to financial health while maintaining Altair to the best of premium standards. These plans are rigorously reviewed annually, updated as to relevance, timing and cost and extended for another year. This is very important as several major items of expenditure such as lift refurbishment and repainting only occur at 25 and 15 year

intervals respectively but we need to know that our plan covers such items to give us confidence that our path is affordable and sustainable – see Finances.

In spite of not increasing levies for 4 years - and completely separate from the funding and managing of the rectification of the defects programme – we have also successfully actioned and funded the following projects during that time:

- **Pools:** Re-surfaced the swimming and paddling pools; covered all pools; built wind shields. Built new pool furniture – pool box and extra recliners and replaced all squabs.
- **Podium:** Replaced the wind-shredded shrubs with succulent dragon trees and replaced the turf. Water-blasted the pavers annually.
- **Foyer:** Replaced the old battered stainless steel doors leading to the level one car-park with automatic sliding glass doors. Re-polished the foyer tiles. Built a façade to block off the view from the foyer of the rubbish areas.
- **Car-park:** Built a general storage room. Re-painted the rubbish and storage areas doors, floors and some other areas.
- **Lifts:** Conducted important lift maintenance. Re-painted and re-carpeted the lift foyers.
- **Gyms:** Replaced the cardio equipment. Re-surfaced the cardio gym floor. Installed stretching bar. Replaced the old TV's with flat screens.
- **By-laws:** Conducted a complete legal overhaul of Altair by-laws.
- **Roof:** Repaired the roof membrane.
- **Security:** Installed extra CCTV cameras to provide fuller coverage. Replaced the Kings Cross Rd roller door.
- **Signage:** Revamped all signage throughout the complex to comply with standard format, typeface and copy tone.

The above projects have only been possible because we have an actively managed plan and we stick to that plan by maintaining a tight control on your finances. A PDF copy of our current 20-year Financial Plan is available to any owner on application to the Building Manager.

Goal b: Focus on Service.

In 2012/13 we recognised that with the substantial rectification of the defects and other projects being achieved, and the recovery from our dire financial situation in 2009/10, we were transitioning from a 'rebuilding' phase to a 'service' phase. Accordingly we created a sub-committee – Altair Community Committee (ACC) – to investigate the sort of service and standards we sought. A Statement of Purpose was adopted at the 2013 AGM. The Owners also endorsed the ACC recommendation to retain our Building Managers (Francis Management) but change our cleaners and appoint a specialist concierge management company (Le Concierge).

Your EC strongly believes that these changes have resulted in superior standards in both cleaning and concierge services; and services in general. The new concierge services have introduced an improved security service registering all parcels, swiping all spare keys and a computerised visitor parking system. All partner services report to the Building Manager who maintains the dual challenge of upholding the highest standards of building maintenance and presentation with an increasing focus on service delivery to meet the requirements of our Statement of Purpose.

It is also worth noting that we have now had two positive police security audits, an annual audit by a WH&S consultant where any issues are immediately addressed, a fire training course and inspection which gave us a clean bill of health and noted that

Altair is one of the safest of residential buildings from a fire perspective; and inspection by our insurers, CHUBB, with no attendant issues.

Goal c: Resolve the Exterior Maintenance Plan.

In 2013, amongst other things, we had hoped to install a Roof Car. This proved impractical after a key individual at the selected engineering company became ill and it subsequently transpired that little progress had been made and was unlikely to be made due to unresolved technical issues. Some funds paid as a down-payment were recovered. We have re-visited this project starting from scratch – again. Your EC is recommending a solution - 'Ring around the Roof'. More on this issue later in this report

CCTV

Following an internal audit of security we have installed a number of extra CCTV cameras to fill 'blind' spots in coverage.

Car Park Louvres

As longer term residents in Altair will recall we have a problem with the car park louvres progressively failing. These are not only an eyesore but a safety hazard. We have developed a system where louvres are continually inspected and replaced as they are deemed risky. This can now be done with aluminium based louvres that neither warp nor break, are a good colour and texture match and can be installed from inside the car parks with no need for the previous cumbersome and expensive requirement for scaffolding. Approximately 10 louvres were replaced across 2013. This is a significant victory in determining a progressive solution and locating a manufacturer. A complete re-fit could have cost in the order of \$500k.

Cardio Gym

In 2013 we upgraded the cardio gym with new equipment – 2 x elliptical striders, treadmills and bikes, a refurbished rower and a new rubberised floor. We also repaired the rubberised floor in the weights gym.

Pool Cover Shields

Persistent high winds necessitated the installation of pool cover shields. These have proved very successful. A recent analysis of gas, chemical and water savings indicates that the pool covers, including the cost of the shields, will have paid for themselves by the end of 2014 which is in line with the original cost/benefit analysis. Some pool furniture has been upgraded – a new pool box, 4 additional new pool recliners and new squabs for all 8 recliners.

Air-Conditioning

In 2011 an owner installed an air-conditioning unit in spite of being advised both before and during installation that this transgressed Altair by-laws. Your EC issued a Notice to Comply which was ignored and was finally forced to legal action at the CTTT when all our approaches to the owner and/or her representative were either ignored or re-buffed. The CTTT has now ruled that the owner

- a) Must remove the unit and repair any damage to common property
- b) Pay a fine of \$5500 – the highest fine available to the CTTT for this type of action
- c) Pay our legal costs.

Legal Actions

Your EC has a policy of avoiding all legal actions where possible. Unfortunately and unavoidably (and most unusually) we have been involved in 4 actions this year. One action is described above. In addition:

- a) An employee took us to mediation with Fair Work Australia for unfair dismissal. The case was dismissed but our legal costs were approx. \$2k
- b) An employee took us to mediation and a hearing with Fair Work Australia. The case for unfair dismissal was withdrawn. Our costs were approx. \$5k.
- c) We needed legal advice regarding an aggressive approach from a telecommunications supplier demanding access to Altair. Our legal costs were approx. \$3k.

All legal costs have been factored into our 2013 accounts.

Finances

Altair is a small business. We have annual income of around \$1.2m. We have planned expenditure in 2014 of approx. \$1.34m. We have about \$700k in the bank.

Your EC has kept a very tight rein on expenses. General operating expenses are closely and proactively monitored at regular meetings between Francis Management, the Chair and Secretary.

Altair is about 13 years old and routine maintenance is increasingly becoming replacement maintenance with all the attendant costs. Our financial challenge is to ensure that we have enough money to cover essential services and repairs etc. while minimizing the levy impost on owners. This balancing act will require careful planning and execution but owners can rest assured that your EC is spending your money parsimoniously, and hopefully wisely, consistent with maintaining Altair's position at the top of Sydney's most prestigious and desirable apartment addresses.

Your EC has no Treasurer. It has been our experience that, unless a Treasurer has the time and expertise to really commit to the job, an 'occasional' and/or 'half-hearted' Treasurer is not helpful. We rely on StrataChoice for our accounting and (in conjunction with Francis Management) for our financial data and reporting. StrataChoice employ cash accounting. We do not doubt the accuracy of this data but it is always somewhat dated. This means that it not always possible to accurately predict our precise financial situation at all times. For most of the year this does not matter much. We are working with both StrataChoice and Francis Management to continually refine and improve our monthly financial reporting. We would welcome a suitably qualified person who has the time and inclination to do the Treasurer role but unless such a person emerges we do not plan to have a Treasurer on the EC for 2014.

We, nonetheless, have put considerable effort into long term financial planning. We have an actively managed 20-year Expenditure Plan which informs our Sinking Fund. This 20-year Expenditure Plan was created in 2011 so that we could ensure that we properly planned for the maintenance of Altair after addressing the defects. The plan has been reviewed annually and updated to keep it relevant to the building's needs. Where prudent and/or necessary we use consultants to advise us on the need, timing and likely cost of big ticket items such as the roof membrane, painting the building and major lift refurbishment. This is integrated into our 20-year Financial Plan as explained under 'Stick to the Plan' earlier.

In 2014 we anticipate spending Sinking Fund monies on:

Exterior Maintenance System - \$156k
Water Tank Membrane - \$53k
Lift Fund - \$72k
Lobby Flooring - \$15k
Intercoms - \$10k
General Repairs - \$117k

These amounts are included in the budget for the Owner's approval.
A copy of the next 10 years of our 20-year Expenditure Plan is included in these papers.

Levies:

Altair Levy history

Year	<u>Levies</u>		<u>CPI</u>	
	% Inc	Cumulative Inc	% Inc	Cumulative Inc
2002	0	100	3.1	103.1
2003	8.5	108.5	2.7	105.9
2004	0	108.5	2.3	108.3
2005	7.1	116.4	2.7	111.2
2006	31.2	152.5	3.5	115.1
2007	0	152.5	2.3	117.7
2008	4.9	159.9	4.4	122.9
2009	4.1	166.5	1.7	125.0
2010	0	166.5	2.9	128.6
2011	0	166.5	3.3	132.9
2012	0	166.5	1.7	135.1
2013	0	166.5	2.2 Y/Y Sept	138.1

We have not had a levy increase in the last 4 years.

The annual levies paid per residential lot in Altair range from approx. \$5.3k to \$40k. The median levy paid in Altair is \$9893 p.a. including 2 car spaces (say \$10k). The mean levy is \$9052 p.a. The freezing of levies for the last 4 years means that an owner paying levies of \$10k p.a. has saved roughly \$3k in levies over that period.

In the EC Report to the 2013 AGM we advised: "The financial modelling that we have done suggests that the budget will be tight this year. We will have to be alert to cost increases and continue to manage our money prudently. The modelling also suggests that we will almost certainly have to start **increasing the levies from 2014.**"

We have exhaustively reviewed our financial situation using the model. We have commissioned a review from FM of our 20-year Expenditure Plan as regards, relevance, cost and timings. We have asked StrataChoice and FM to calculate our end of FY2013 position and have created a new budget for 2014 based on known costs and informed projections.

Your EC's goal is to fund the Administration Fund at an effective working level but essentially 'break-even', build the Sinking Fund consistent with the needs of the 20-year plan and continue to build our Lift Fund to meet the inflation adjusted anticipated cost of Lift Refurbishment of \$1.5m in 2026.

We have tested a variety of scenarios in our 20-year Financial Plan model. It is clear that our original projections remain true; that we have exhausted the efficiencies that have been introduced over the past 4 years and that we will be subject to inflationary pressures from now on. The average annual rate of inflation over the last 10 years was approx. 2.75%.

We are proposing that we increase our levies and rentals by 3% from 1 June 2014.

We collect revenues of about \$1.2m. In 2014 these monies will be split approx.:
Sinking Fund - \$247k
Admin Fund - \$889k
Lift Fund - \$72k

We do not anticipate any need for special levies at this time. We clearly need adequate funds to run the building but at the same time see no value in creating an unnecessary 'slush' fund just for the sake of it.

Charity Collections

We try to re-cycle as much as possible. Most of the magazines are donated to Living with Aids Luncheon Club. Household goods etc. are sent to the Kings Cross Community Centre for their weekly jumble sale and distributed to needy folk and families. Our building has made a significant contribution towards the cost of running the Community Bus. The books we collect are sent to the Community Centre and are sold at their fortnightly book stall.

Thanks to all the residents for their generous contributions and cooperation and to Carole Ferrier for making it happen.

Looking forward to 2014

A review of our 20-year plan will persuade any owner that we have plenty of essential maintenance which will be forever on-going.

Exterior Maintenance System

The major capital project for 2014 will be the installation of an Exterior Maintenance System. Following in these papers are reports from Francis Management and our preferred supplier, BaseFX, covering the rationale, specifications and costs for this project. These papers have been with Owners now for several months. There will be a motion recommended by your EC to the Owners to vote on at this AGM for the system to be installed.

Retail Lot

The operators of SGT SAM have ceased trading. The owner of the lots has them for sale. It has been our experience that we have considerably less problems with the retail lot(s) when they are occupied by a business. We hope a successful sale to a suitable operator is imminent.

Noticeboard

In 2013 we invited Altair's architect to re-visit the building with particular reference to the foyer as there had been some suggestion that this may not have conformed to his original plan. He pronounced the foyer precisely as he had planned it and that it remained "stunning". He expressed concern, however, regarding the 'crude' noticeboard. StrataChoice have advised us that Altair does not officially have, and is not required to have, a noticeboard. Nonetheless the Owners agreed at the 2010 AGM to retain the unofficial noticeboard in the foyer. Your EC recommends that the noticeboard be relocated to an area between the foyer and the first floor car park on the stairs landing. This area has been selected as a very high traffic location (on the way to the rubbish area) but one in which the noticeboard is not a 'crude' eyesore. There will be a motion recommended by your EC for the Owners to vote on at the AGM.

Common Room

We have no meeting room. The original meeting rooms were converted to the gyms. Over recent years we have held EC meetings at a local restaurant, in member's apartments, at Elan's meeting room (no longer available) and in a hired room at the Diamant (at \$150 per meeting). It is proposed that we convert the existing cleaner's room on level 5 to a common room. The cleaners may be shifted to the now vacated storage room used by SGT SAM on level one. FM estimates that we can convert the level 5 space into a basic room suitable for meetings for approx. \$2k. There will be a motion recommended by your EC for the Owners to vote on at the AGM.

2014 Goals in Summary

- d) **Stick to the Plan.** Monitor all actions and costs. Make prudent decisions to maintain Altair as a premium building with a keen eye on costs and value for money under our philosophy of funding the building Admin Fund at effectively break-even and using the 20-year plan to inform and drive the Sinking Fund.
- e) **Focus on Service.** Continue to focus on lifting all service standards in Altair to maintain our position as a premium Sydney property.
- f) **Execute the Exterior Maintenance Plan.** Install a device at roof level from and by which we can effectively and efficiently paint, clean and generally maintain the outside of Altair.

Altair Executive Committee:

Ralf Harding (Chair), Michael Meredith (Secretary), Paddy Conroy, Chris Gardener, Luisa Liotta, David Mackinnon, Deborah Moore, Troy Scott, Anna Shepherd, Doug Mallam, Building Manager.

John Anderson unfortunately passed away in 2013. Our best wishes go to his friends and family. John made a quiet but extremely worthwhile contribution to the EC and life in Altair in general. Replaced by Luisa Liotta.

Rob Di Iorio sold and resigned. Replaced by Troy Scott. We thank Rob for his contribution.

Gavin Napier resigned after 4 years of service. Replaced by David Mackinnon. We thank Gavin for his very significant contribution over the last 4 years.

The current EC are available for re-election in 2014. Any new candidate wishing to nominate for the EC can do so in person any time up until the EC election at the AGM or nominate in writing to the secretary before the meeting commences.

Your Executive Committee.