



Executive Committee Annual Report for the 2016 AGM

Welcome to the 2016 AGM

The AGM will again be at the **Holiday Inn at 7.00pm on Monday February 15**. 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 cost – it costs about \$4/5k to hold a general meeting.

A quorum constitutes 25% of owners' entitlements.

Our Strata Manager advises that none of the last 10 General Meetings of Altair could have taken place without proxies because simply not enough owners have physically attended these meetings. StrataChoice also advises 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'.

Some key points about proxies:

- Proxy forms can be obtained from, and deposited in a box at, the concierge's desk, or handed, faxed or mailed to the Altair Building Manager or Strata Manager.
- You can nominate whomever you like to have your proxy (does not have to be an owner in Altair) but only that person can vote your proxy and only if they are present at the meeting. Proxies are not transferable.
- You can change the person who holds your proxy but only the most recently issued/dated proxy presented at the meeting is valid.
- E-mail advice only counts if you include a scan of the appropriately filled in and signed proxy form.
- You may indicate on your proxy form the way you want to vote on any specific issue - and we would prefer that you did just that. Your nominated vote/position will be respected in regard to that issue.
- Any open or unspecified proxies awarded to 'the Chair' will be voted in line with any recorded decision/position of the EC on the relevant matter. If no EC position has been recorded the proxies may be voted at the Chair's discretion.
- Altair proxies cannot last for more than 12 months – most only cover the meeting in question – but it is up to you.
- Proxies must be received at least 24 hours before the start of the meeting.
- Your levies must be fully paid up in order to make your vote count.

The AGM takes place once a year and makes decisions about what is possibly one of your biggest assets. Your Executive Committee are unpaid volunteers and dedicate many hours of their time, energy and expertise to running Altair as best they can for all of our benefits. Perhaps the AGM is worth an hour or two of your time.

Please come to the AGM... or sign a proxy.

Looking back on 2015

2015 goals

At the 2015 AGM we set the core goals for the year 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.** Continue to focus on lifting all service standards in Altair to maintain our position as a premium Sydney property.
- c) **Painting the Facade.** Repair the render on the podium, the rust spots on the soffits and prepare the vents then re-paint the exterior grey, blue, red and white facades.

Goal a: Stick to the Plan.

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

The plans 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 core 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.

Our 2015 end-of-year financial position was approximately 99% of that projected 12 months ago by our 20-year plan, as was the case in 2014, which gives us considerable confidence in the plan and future projections.

We maintain tight control through regular monitoring by Francis Management and StrataChoice as well as strict financial discipline and monthly oversight by your EC of individual financial decisions and the overall situation. A PDF copy of our current 20-year Financial Plan is available to any owner on application to the Building Manager. The Chair and Secretary meet with the Building Manager each week to assist in keeping projects current, on track and on budget.

Goal b: Focus on Service.

In 2015 we changed our concierge service to A Class Concierges. We have now had this service for approximately 10 months. Your EC believes that this change has resulted in improved standards and services in general.

It is also worth noting that we have an annual WH&S audit where any issues are immediately addressed; an annual fire safety inspection which gives us a clean bill of health and has noted that Altair is one of the safest of residential buildings from a fire perspective plus a fire training course for our concierges and any interested owners; and building inspection by our insurers, CHUBB, with all issues resolved. Altair has now had two positive police security audits. Altair has a commendation from the City of Sydney Council for our re-cycling programme.

Goal c: Painting the Facade.

From approximately June to December 2015 we made repairs to the façade including grinding out rust marks in some soffits, repairing cracks in walls, re-surfacing the blue vents and replacing drummy render mainly on the podium; and then painted all those parts of the exterior that had not been dealt with in the defects works of 2010.

This major project was completed largely on time and under budget allowing us to also attend to water-proofing work on the western lift housing and conduct an abseil audit of the metal louvres.

The Ring around the Roof installed in 2014 has proved an outstanding asset allowing works around the exterior of the building with the minimum interference into resident's lots and with-out being beholden to any grace or favour arrangements with owners.

Pools

Unfortunately a winter hail storm has punctured a considerable number of the slats in our pool covers which are consequently quietly sinking. We will address repairs in 2016. The pools, surrounds etc. are compliant with NSW safety standards.

Legal Actions

Your EC has a policy of avoiding all legal actions where possible. Unfortunately and unavoidably we continue to be forced into protecting Owner Corporation rights in legal actions. Your EC has become increasingly concerned that recalcitrant actions by some individual owners, in direct contravention to the by-laws set and agreed collectively by the Owners, are imposing considerable unbudgeted costs on the Owners Corporation. While we pursue all cost recovery possible under the law this seldom equates to more than a minor portion of the funds expended not to mention significant amounts of executive time and effort.

- Defamation – the case against the OC, the Chair and an employee brought by an ex-employee has been dismissed across 2014 and 2015 by the District Court. Costs have been awarded against the plaintiff. This action was covered by our insurers, CHUBB, but has cost Owners the policy excess of \$5k.
- Air-Conditioning - in 2011 an owner (Vicki Goodwin of Lot 103) installed or allowed to be installed air-conditioning unit(s) in spite of advice 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 take legal action at the NCAT (previously CTTT) when all our approaches to the owner and/or her representatives were either ignored or re-buffed.

In spite of NCAT ruling that the owner of Lot 103 ...

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

...NCAT declined to provide any mechanism to achieve these rulings and the owner of the lot declined to respect the NCAT rulings.

We were accordingly required to take action in the Supreme Court.

Owners might wonder why your EC pursued this matter to such lengths.

This is an issue of huge significance to Altair owners.

By-laws exist from the time of the original commissioning of Altair to allow air-conditioning in some apartments on levels 17, 18 and 19. Otherwise our by-laws specifically prohibit the installation of air-conditioning in residential lots.

This is because, not only is Altair an architecturally awarded building – 2001 Best Residential Housing Scheme in the World – in part due to its natural cross-flow ventilation system, but it is constructed over a tunnel and is consequently designed to be as lightweight as is practical. This includes our electrical wiring. An analysis of Altair's electrical system by international engineering consultants, Northrop, has demonstrated that as a consequence of this lightweight approach to Altair's engineering we have very limited spare electrical capacity. As an example the addition of as few as 17 standard domestic air-conditioning units (say one each in only 10-15% of total apartments) into Altair at peak usage times could result in a 'brown-out'.

Upgrading Altair to an electrical grid that could sustain air-conditioning units in all apartments would require new wiring and extra generating capacity that was estimated in 2012 to cost approx. \$1.3m.

After 4 years of legal action the owner of lot 103 has essentially conceded the issue and removed the A/C units etc. Altair is pursuing some further legal issues and costs recovery ...after a total expenditure for legal and professional fees of around \$100k to protect Altair from this potentially very serious threat to our power supply.

Your EC deeply regrets this unproductive expenditure which has been forced upon us by the need to protect the sustainability of Altair and our power supply; and our existing by-laws, as a result of unilateral actions from an owner who disregards our by-laws and community.

This is the second time we have had to absorb legal costs contesting issues where individual owners have unilaterally ignored Altair by-laws that were agreed upon and voted for collectively by Altair owners. In each instance the issues had been directly brought to the recalcitrant owner's attention prior to the event. These owner's actions have cost the Altair Owner's Corporation considerable amounts of legal fees and your EC huge amounts of time and effort.

Owners should not simply pick and choose which by-laws it is convenient (or not) for them to respect. Your EC will continue to vigorously defend Altair Owners Corporation rights.

If we are not prepared to enforce our by-laws then we should not have them.

Storm/Leaks

In the first quarter of 2015 Altair along with large parts of Sydney and NSW/Queensland was hit by a massive storm severe enough to be declared a State Emergency and we suffered leakage damage to a number of apartments. This was separate from the hail storm which damaged the pool covers. Unfortunately each incidence of leakage was a separate insurance claim. We have an insurance excess of \$5k per claim and had to pay for the repairs - cost approx. \$40k.

NBN

The NBN has been connected to Altair via Fibre to the Basement (FTTB) during 2015. Special thanks to EC member Chris Gardener. Owners approved a by-law at an EGM in January allowing only VECTORED VDSL within Altair to protect the integrity of the NBN system from potentially inferior alternatives which might interfere with our service.

Pink Bin

We co-operate as much as possible with City of Sydney Council (CoSC) to re-cycle rubbish. CoSC have advised us that plastic bags can create havoc with their re-cycling machinery. We have, therefore, installed a PINK Bin which is a dedicated plastic bag refuse bin. Please dump your rubbish in the recycling bins but retain the plastic bags for the PINK bin. A small but vital step in saving the planet.

Metal Louvres

As part of the Painting the Facade project we took advantage of having abseilers present to examine the metal louvres on the east and west ends of the building. The vertical louvres are showing some minor signs of aluminium corrosion. This does not seem to be an issue with the horizontal louvres. The assessment is that the damage is currently minor and aesthetic – not functional. Frankly it is hard to get any authoritative view as to what real damage might develop and over what time frame...or even what a remedy might be or what a reasonable life expectancy projection for the louvres could be.

All we know is that the metal louvres may need some attention at some time but we do not know when or what could/should be done and at what cost. Accordingly we have not budgeted for anything in relation to this issue. Owners should, however, be aware that the issue exists.

Retail Lot

The Retail Lot has been re-fitted out as an entrepreneur's incubator club called 'Cub'. As part of the re-fit an awning has been installed. By-laws and a Deed of Indemnity similar to the paperwork approved by the Owners at the last AGM for an awning on the podium level require owner approval. There is also a by-law permitting the temporary installation of air-conditioning to allow a test of the incubator business concept for a one year period. This installation is limited in scope and will not significantly impact on Altair's electricity supply while *in situ*. The trial is limited to a maximum of one year with a substantial financial guarantee/penalty. Owners approved these issues at an EGM in January.

Finances

Altair is a small business. We have annual income of around \$1.3m. We have planned expenditure in 2016 of slightly more than that. We are currently cash-positive in all our funds (Sinking, Admin and Lift).

Your EC has kept a very tight rein on expenses. Nonetheless during 2015 we have had to absorb some un-budgeted items such as the storm damage, water-proofing the lift housing and the garden concept plan at a total cost of around \$70k which has effectively used up our annual operating reserves.

Altair is about 15 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. and to maintain standards while minimizing the levy impost on owners. This balancing act requires 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. 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 is not always possible to accurately predict our precise financial situation at all times. For most of the year this does not matter much. It comes to a head around the time of year-end and the AGM where we need to accurately plot our position and chart a course. We are working with both StrataChoice and Francis Management to continually refine and improve our monthly financial reporting and are reasonably confident that we are 'on track'.

We do not plan to have a Treasurer on the EC for 2016.

We have, nonetheless, 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 originally created in 2011 so that we could ensure that we properly planned for the maintenance of Altair after addressing the defects. The plan is reviewed annually by Francis Management and updated to keep it relevant to the building's needs. Where prudent and/or necessary we employ 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.

It costs over \$1m in regular routine outgoings and maintenance to run Altair.

In 2016 we anticipate spending Sinking Fund monies on:

| | |
|--------------------------------|--------------------------------|
| General Repairs - | \$124k |
| Intercoms- | \$ 50k |
| Fire Safety Solenoids - | \$ 22k |
| Lifts Code up-grades - | \$ 53k |
| Gardens - | \$111k (See Gardens following) |
| Re-polishing the foyer floor - | <u>\$ 12k</u> |
| | \$372k |

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.

In years with big ticket items – such as last year with Painting the Façade or refurbishing the lifts (2026) - we spend more than we collect. This is only possible, without a special levy, because we have an actively managed 20-year plan to smooth out highs and lows in expenditure.

The Lift Fund is vital in this respect as it is effectively our bank allowing expenditure to exceed revenues in some years as big ticket items come due. While we have adequate overall funding, because we collect our levies over 4 quarters but spend money on a monthly basis, our Sinking Fund expenditure will be stretched at points over 2016. We may have to shift some funds temporarily from the Lift Fund to the Sinking Fund to remain cash-positive in all funds.

There is a motion in the AGM papers to allow some flexibility in the transfer of funds to allow access to the Lift Fund if required. Any funds transfers would only be possible following a successful motion of agreement at an EC meeting.

Levies:

Altair Levy history

| Year | <u>Levies</u> | | <u>CPI</u> | |
|------|---------------|------------------|------------|------------------|
| | % Incr. | Cumulative Incr. | % Incr. | Cumulative Incr. |
| 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 | 2.7 | 138.8 |
| 2014 | 3.0 | 171.5 | 2.5 | 144.2 |
| 2015 | 2.5 | 175.8 | 2.1 | 147.2 |
| 2016 | 3.0 | 181.1 | | |

The annual levies paid per residential lot in Altair range from approx. \$6k to \$43k. The median levy paid in Altair including a car space is about \$10k.

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 commissioned an updated annual review from FM of our 20-year Expenditure Plan as regards, relevance, cost and timings. 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 6/7 years; and that we will be subject to inflationary pressures from now on.

The average annual official rate of inflation over the last 10 years was approx. 2.75%. Altair's rate of cost inflation has been about 3.0% for the last 7 years but we have been able to mitigate that with efficiencies. We have exhausted those efficiencies and the Altair rate of inflation remains at or about 3.0%. In 2016 our insurances will go up by 8% and electricity by between 6 and 24%.

We therefore propose that we increase our levies and rentals by 3.0% from 1 June 2016.

The average annual Sinking Fund expenditure for the next 10 years is around \$310k p.a. so 2016 at \$372k is an expensive year and following on from 2015 at over \$600k compounds to keep us under ongoing financial pressure. This is exacerbated by the anticipated spends on the lifts and gardens over the next few years and the fact that our 'cushion' from 2015 has been exhausted.

It may be that we will have to have a slight 'booster' increase in levies for the next 3 or 4 years to overcome this spending 'hump'. Our modelling suggests that we may have a few years requiring a 4% annual increase in levies rather than the normal 3% but it is too early to say at this time.

We collect revenues of around \$1.3m with levies of about \$1.27m. In 2016 these monies will be split approx.:

Sinking Fund - \$300k

Admin Fund - \$895k

Lift Fund - \$75k

We do not foresee any need for special levies at this time.

We currently collect our levies quarterly on 1 March, 1 June, 1 September and 1 December. This means that our 'levy' year and our 'financial' year do not coincide. This causes complications in reconciling our accounts. We plan to put a motion at the next General Meeting to change our levy collection periods to the 3 months from 1 January, 1 March, 1 July and 1 October for the next relevant financial year. This will involve having a special one-month levy at some point to create the new cycle but Owners will be given significant warning of this.

Charity Collections

We try to re-cycle as much as possible. Magazines are donated via the Community Centre mainly to aged care facilities. Household goods etc. are sent to the Kings Cross Community Centre for their weekly jumble sale and distributed to needy folk and families. Large furniture items are collected by Youth off the Streets. Good quality clothing goes to Dress for Success to assist disadvantaged unemployed people in job interviews. 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 the residents for their generous contributions and cooperation and to Carole Ferrier and Mario Caruana for making it happen.

Looking forward to 2016

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

Lifts

We have had our lifts checked by an independent consultant. He has confirmed that we will need a major refurbishment in approx. 2026 at around \$1m in \$2015 which will likely be about \$1.5m by 2026. He has also advised that we need to attend to two matters independent of this work

- a) We need to bring our lifts up to code. This will involve a number of small issues but a big issue relating to the brakes. This work will cost about \$165k and must be addressed over the next three years. We will progressively attend to each lift to minimise inconvenience and spread the cost. We have allocated approx. \$55k each year for 2016, 17 and 18 to do this work.
- b) Our electrical controls (button failure etc.) will likely need attention in the foreseeable future. Our consultant projects that this work will need to be addressed probably in 2018 – but this is an educated guess. This work has been budgeted at \$180k in 2018...but who knows?

Intercoms

Our existing intercom system is starting to fail and we are no longer able to purchase replacement equipment. Francis Management has reviewed the options and has recommended a product which is an up-dated version from the manufacturer of our current system. The proposed new system will allow two-way communication between each apartment and the concierge as well as visitors and will support video. The new system will require some re-wiring and the installation of a new console in each apartment. We are proposing installation some time in 2016. This will cost approx. \$50k.

The Podium Gardens

Your EC believes that the podium common area and pool surrounds are looking very tired. Apart from the replacement of the bedraggled Robina's with Dragon trees about 5 years ago there has been virtually no investment in our gardens since Altair was commissioned. **More importantly we believe that the gardens are capable of being a significantly more positive asset for Altair.** We have appointed a specialist garden architect to draw up a low maintenance concept plan to maximise the garden's visual impact consistent with the challenging weather conditions.

Your EC believes that adding value to constituent parts of Altair, be it individual apartment renovations or improvements to common areas, has a positive flow-on effect to all other parts of Altair and potentially enhances everybody's property values.

We hope to be able to share more details of this plan at the AGM. We have a projected implementation programme cost of \$111k. If approved by the Owners we are proposing commencing in May/June to minimise inconvenience to pool users over summer and to allow the garden to be well set up for spring growth.

Solar Power

Altair has a large flat roof and from time to time the issue of whether this could be used to generate solar power arises. Your EC has looked into the issue in the past and our research has suggested that this is yet to present economically viable options. We reviewed the issue again in 2015 with the potential advent of the *Powerwall* battery storage system. Our research suggests that an economically viable option still remains somewhat in the future but we retain a 'watching brief'.

2016 Goals in Summary

- 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.** Continue to focus on lifting all service standards in Altair to maintain our position as a premium Sydney property.
- c) **Create a superior Podium Garden.** Maximise the visual impact and resident amenity of the podium by commencing the build for a garden that adds value, impact and interest to an important common facility.

Altair Executive Committee

Ralf Harding (Chair), Michael Cluff, Chris Gardener, Luisa Liotta, David Mackinnon, Deborah Moore, Eric Moses, Anna Shepherd, Kevin Wellington.
Mario Caruana, Building Manager.

Michael Meredith and Paddy Conroy resigned in late 2015 having each sold their apartments and Kevin Wellington and Eric Moses were elected to the EC.

We thank Paddy for his excellent contribution over the last 4 years.

Michael has been part of the 'new' EC which was elected following the legal and financial crisis of 2009, served as Secretary for the last approximately 4 years and has made a huge contribution to the core decision-making that has helped Altair restore finances, fix the defects and reclaim a premium position as prime Sydney residential property. Michael has participated in weekly management meetings focussing his efforts on standards around Altair with a fine eye for detail and paying close attention to the requirements and performance of the new concierge services. We thank Michael for his outstanding commitment and service.

The resignation of Michael Meredith means that we do not currently have a Secretary. Your EC has discussed the possibility of having both of the EC 'Officer' roles of Chair and Secretary conducted by one person. We have consulted with our Strata Manager who has advised that while not illegal it would be poor corporate governance to have both EC 'Officer' roles incumbent in one person. Your EC agrees.

Accordingly, and subject to the EC being re-elected, it is proposed that Ralf Harding take the role of Secretary and Deb Moore become the Chair effective of the EC meeting following this AGM.

The current EC are available for re-election in 2016.

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.