Capital Works Plan Options

The independent **10-year** Capital Works Plan commissioned (attached) has been compared with the existing **20-year** Capital Works Plan with respect to scope, timing and cost over the 2020 – 2029 period. The purpose of the independent report was to see whether there are any significant projects that are not already covered by the existing 20-year Capital Works Plan.

The costings and timings of many projects are broadly similar. The scope varies in some areas.

This is a complex subject. The idea is to table the core data now for consideration by SC members – and any interested owners (feedback welcome) – for more detailed discussion at the October SC meeting.

We have approached the review in four stages.

Stage one.

We have reviewed our existing plan – attached. We are projecting some savings or timing shifts which will reduce the cost over the period 2020 – 2029 by approximately **$364k**. – attached.

The key saving is the removal of an amount of $126k for lobby lights which we deal with under general maintenance. Some other costs have been adjusted – both up and down but nothing material – and moved. Net real savings for 2020 – 2029 approx. $112k.

Around $252k of projects have moved outside the 2020 – 2029 window but move into 2030 – 2039 and will still need to be accounted for in our 20-year Capital Works Plan and our 20-year Financial Plan.

Stage two.

We have integrated some projects from the independent review that have been identified as useful additions. Spreadsheet attached.

The additions are

a. Temperature Controls - $14k – 2020 to 2028
b. Lift telephones - $7k - 2020
c. Domestic Water Pumps - $10k – 2023
d. Garbage Compactors overhaul - $26k - 2026
e. Fire Diesel Pumps - $48k – 2027

f. 4th Floor Toilets and ceilings - $27k - 2027
g. Fire Control Panel - $44k – 2029
h. Garden water-proofing - $59k - 2029

Total additional cost – over the period 2020-2029 - **$235k**

Stage three.

We might consider adding $200k for preparing the carparks for Electric Vehicle Charging (EVC) - largely re-wiring - following advice by CoSC both on this issue; and that CoSC will NOT be providing public, or allowing on-street, access to charging stations within the CoSC area. Two buildings, roughly the same as Altair, have received detailed quotes for the works at $100k (very easy existing infrastructure) and $200k (more standard building).

CoSC are planning for future city scenarios on the basis that the number of private vehicles in their catchment area will progressively, rapidly and dramatically diminish. The stated goal for 2030 is 0.4 vehicles per person in the city – currently approx. 0.8:1. CoSC is investigating such projects as installing produce gardens in empty carparks. I understand that there is a project to put homeless shelters in empty car parks.

We might plan for this EVC work in 2027 (after the lift refurbishment) when it is predicted that electric vehicles will have grown to 10% of new vehicle sales (critical mass?) …and hopefully other buildings will have ironed out the wrinkles in system installations and maybe costs. The technology in this space is changing rapidly. There are no current easy solutions for individual car space charging of electricity usage readily available, but the basic job of re-wiring is, and is likely to remain, reasonably predictable.

There are no clear advantages in being EVC pioneers.

We could maybe treat this like the Lift Fund allocating $25k in 2020 per year for the next seven years growing to $31k in 2026 – EVC Fund of **$200k** by 2027.

Stage four.

There are items identified in the independent CWP report which we have not allowed for such as

a. Replacing all balcony tiles
b. Replacing all balustrades
c. Replacing the sliding doors to the balcony.
   Plus…
d. Replacing the aluminium louvres on the east and west sides of the building.

SWAG analysis - **$2m?** – replacement has not been formally cost-estimated.

We currently manage issues like these as they occur under general maintenance – noting that they will all eventually fail. Any catastrophic and universal failure is difficult to predict in terms of timing and scope; and would possibly require a 'whole of building' solution with significant costs perhaps outside the scope of this fund…or do we want to build another (Exterior) Fund?

Some issues like replacing the aluminum louvres would realistically have to all be done at once but we have no objective timeline. Balcony tiles are progressively being updated and replaced by individual owners…and when they do the responsibility for ongoing maintenance generally falls to them. Replacing the balustrades is more likely to be an aesthetic than construction issue (normally we would regard aesthetics as Special Levy funding). We did work on the sliding doors as part of the defects mainly replacing inadequate base rollers etc. Again, a mass change of sliding doors would seem more likely to be an aesthetic rather than a construction issue.

All very 'blue sky' and "who knows".

These 'stages' have been summarized over the ten-year period 2020 - 2029 in the attached 'comparison' spreadsheet.

Any updated Capital Works Plan will be integrated into our 20-year Financial Plan to determine ongoing financial decisions and plans including the 2020 budget. We will attempt to minimize levy increases but the levies would have to be a bit higher with an EVC Fund (+$200k) and a lot higher with an Exterior Fund (+$2m?).

The benchmark for inflation has historically been 3%. Over the last ten years levies in Altair have increased by an average of just under 2% per annum. Future projections suggest that 2% might be a realistic inflation guide for the near/foreseeable future. The Altair experience has been that we can control inflation in Capital Works but struggle with Admin costs (which is something we need to better understand).

Our financial projections suggest that we do not have an overall financial issue but will have to keep 'balancing' finances between our CWP, Admin, Lift and Exterior(?) Funds. We cannot simply 'set and forget' any of these funds.

This is an ongoing, active management issue.

We do not have accurate year-end figures to feed into our financial model so have no reliable base – plus we have yet to establish an Admin budget for 2020…

BUT - as an incredibly rough, ‘back-of-an-envelope’, not to be relied upon guess, - to address each stage we might have to adjust annual levies for the period 2020 - 2029 by

Stage One ‘As is’ – 2%? ongoing

Stage Two Key Independent Report items added – 2.5%? ongoing

Stage Three plus EVC – 3%? until 2026

Stage Four plus EVC and Exterior - 5%? maybe for **20** years.

Our current average annual levy is approximately $11k. The percentage changes look small but if we had compound growth for 20 years, by 2039 the average levy ($11k) would be roughly –

2%	$16.5k
2.5%	$18k
3%	$20k
5%	$29k

Which stage represents the most prudent but affordable plan?

This not just about affordability but market competitive levies.

Stage two seems a ‘no-brainer’.

What about Stage three – EVC?

Stage four EVC and Exterior?

We don’t have to make any decision right now but whichever way we decide to proceed will have to be presented to the Owners – at the 2020 AGM? – and built into our financial plans. Effectively this means we need to be clear on our plans by the December meeting - at the very latest.