

Chairman's report 2024

Body Corp Management Contract

Last year, with Alan Stewart standing down from being Chairman and providing Body Corporate Management Service, KSA entered into a one-year contract with BPS Limited (represented by Gillian Blakely) for administration and compliance and Industrious Properties (represented by Richard Hall) for facility management and accounting. Over the year Gillian and Richard have come to understand KSA better and they proposed that all these services are combined under one company (BPS Limited). The budget for the facilities management portion has been increased as the workload needed to achieve the service level we believe is necessary was underestimated in the original contract. The committee reviewed their proposal and being satisfied with their performance have renewed the Management contract for another two years. We thank Gillian and Richard for their performance this year in testing circumstances, and look forward to a successful partnership together.

Insurance

Insurance is the biggest item in the budget at over \$850,000 which is 75% of our total levies. This is an issue across the whole of Wellington and the Committee are investigating ways to reduce this bill. The major part of the insurance cost is being required by law to fully insure the building. Despite EQC providing additional coverage, this portion of the bill has continued to rise, and is an issue that is concerning for all apartment dwellers with some Body Corporates being unable to secure full coverage.

Our insurance period in the past runs from the 31st January which has been problematic with getting quotes from other brokers, valuations completed on time etc. due to the Christmas break and offices closing for the holiday period. In order to provide more flexibility in arranging cover, the Committee has changed the insurance year to run to the end of October each year. This means that in the current budget, we are still charging for a 12-month period of Insurance but a portion of that budgeted amount will be accrued for part of the next insurance period, and we do not know what the premium will be for the latter part of the year. We are hopeful that when we renew later this year progress will have been made in the insurance sector and possibly in legislation that will allow a reduction in insurance cost.

Fusiotherm

As you were informed during the year, insurance is no longer covering Fusiotherm (green pipe) leaks. This has forced the Committee to move the liability for all Fusiotherm leaks in the confines of the apartment will be the individual owner's responsibility which will come into effect after the 2024 AGM. Note that non-Fusiotherm leaks that meet the policy would still be covered by insurance, with a \$500 excess, with the liability for the excess falling on apartment owners rather than the body corporate. In addition, all apartments that have Fusiotherm piping must get an isolation valve installed at the inlet piping. This enables apartments to be isolated when there is a leak, and protects other apartments from blowback when the water is turned back on. The committee feels the cheapest and most effective way to do this is to do it on a floor by floor basis minimizing the need to turn off water to each level and minimizing damage risk. We have arranged for our plumbing contractor Alex to install these isolation valves, with costs being apportioned and charged to the appropriate owners. While owners can choose to opt out of this plan and organize it themselves, the work must still be done and is likely to be more expensive.

Roof Membrane

This year the committee was forced to complete the balance of the roof areas with the new Fibre-Tech membrane. This membrane plan was already proposed in our Long Term Maintenance Plan but it needed to be brought forward. The total costs for the full re-membraning of the roof area were around \$212,000 which was what was expected. It is important to remember that is the only cost from the Kaikoura earthquake that was not covered by insurance so despite an extra levy being required, this represents a good result for the building. The insurance claims for the effected apartments are being followed up for reinstatement. Thanks very much to John Feast for leading this project and for the patience of the affected apartment owners and the support of Richard Hall to make this happen.

Financials

This year the Body Corporate was hit with a number of unexpected Repairs and Maintenance costs including bringing forward the planned replacement of the roof membrane, replacement of the intercom system, repairs to the garage door forward, and costs arising from piping leaks. Our budgeted R&M and capital costs for the year was \$310,000 versus a budgeted cost of \$170,000. This required an additional levy of an extra month's levy during the year. We believe we have addressed most of these issues and that R&M costs will fall back to more normal levels in future. The committee is recommending an increase of 10% in levies to balance the current budget while continuing to build the fund for long term maintenance.

Long Term Maintenance Plan (LTMP)

Under law the Body Corporate must have a 30 year LTMP to show they are providing fiscal governance. KSA has basically started a new cycle with the earthquake repairs providing essentially a new exterior, and we have recently upgraded such things as the roller door and intercom system. Our strategy is to identify the major Capex expense items and potential costs, and to build a fund enabling us to meet these requirements without necessitating a special levy. As specific items come into the shorter term (2-3 year) environment, we will better calculate the expected costs and adjust the provisioning as necessary. This year we have provisioned \$60,000 for the fund, with expected projects in the next three years being replacing the original carpeting on the various floors, and potentially the upgrading of the fire panel, and replacement of light fittings in the common areas in a couple of years' time. Over time we are expecting that the amount we transfer to the fund to gradually increase, and we will reevaluate every year to make sure the size of the fund is appropriate for our expected maintenance plans.

Roger Paterson

Body Corp Chairman