

## PRINCE HENRY COMMUNITY ASSOCIATION – 2019 BUDGET

### TREASURERS ADVICE

In considering the 2019 budget, Lot Owners need to be aware of certain matters.

#### BACKGROUND

- When the first AGM was held in December, 2009 (effectively for 2010), the budget proposed and approved appeared to be all inclusive. This continued into 2011. The Community Association (CA) had a number of concerns over the 2010 budget and made certain inquiries in conjunction with Dynamic Property Service who were appointed as MANAGERS in the latter part of 2010.
- During 2011 it was identified that in fact when the 2010 budget was approved (in December, 2009), there was 3 separate budgets being 1 for the owners, 1 for Council and 1 for the Trust. Action was then taken to consolidate these 3 budgets to appreciate the intended distribution of costs between owners, Council and the Trust.
- Audited financial statements for the period ending 31 December, 2010 were considered at the 2011 AGM held December, 2011. Up to 2017 each AGM considered the results of some 11 months earlier and set a budget based upon 10 months actual expenditure.
- This changed in 2018 with the AGM held in the first half of the year when it considered the results of 2017.
- Initially an understanding was reached with both the Trust and Council that the CA will provide a reconciliation of actual receipts and expenses since the CA started to identify for each the carry forward impact into 2012. This was done by applying the broad funding contributions used in the preparation of the 3 aggregate budgets back in 2009.
- During 2012 discussions between Council and the Trust (Crown Lands) occurred concerning the transfer of responsibility for the Irrigation system to Council, which had ceased to work properly. Advice was received that Council had assumed responsibility with the system watering the 3 major parks (McCartney Oval, Memorial Park and Bob a Day Park). It should be noted that no expenditure had been incurred in respect of Irrigation and Council is no longer a contributor to any activities in the Budget. Council, Landcom and the CA has executed an Agreement to allow for this to occur.
- The CA was formally advised in July, 2014 of the vesting and administration of certain assets with Council, with the CA to cease various maintenance activities, with Trust areas to be maintained by the Trust. Following clarification on some matters the CA ceased certain maintenance responsibilities and issued a final invoice to the Trust in respect of works/costs incurred on its behalf, which was fully paid.

- Since the transfer of assets by the Trust, the CA is now responsible for landscaping (which includes maintenance of a number of paths, roads and Lot 1 (and adjoining plants), the Anzac Parade 3m verge, electricity costs in connection with lighting on certain paths and roads, Management fees (levy, meeting secretariat and correspondence) and Repairs and Maintenance to certain roads, lights and other equipment not controlled by the Trust or Council (NB Trust is responsible for repairs/maintenance to their Assets and if they require the CA to do any works it will be reimbursed.)
- NB Council at its own cost (funded through rates etc) maintains its 3 parks, the irrigation system and lights on public roads and the 3 parks under its control, plus those assets now vested/administered on behalf of the Trust.
- 2015 was the first year of the CA having no financial responsibility for Trust assets but certain costs were incurred in pursuing outstanding monies from the Trust and the Agreement to formally transfer the Irrigation system to Council.

## FINANCIAL COMPARISON

Total levies (Administration and Capital) in both 2011 and 2012 were \$120k. In 2013 and 2014 they reduced to \$73k due to a build up of funds. For 2015 to 2018 they have remained at \$70k, noting that since 2016 Administrative expenses higher than budget have used prior year surpluses.

The following is a high level comparison of actual results for 2011, 2014, 2016, 2017, 2018 and the proposed 2018 budget. Figures are in \$000. (NB The years selected are to give owners an understanding of the trends)

	<b>2011</b>	<b>2014</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Administrative Fund</b>						
Revenue Owners	100	53	60	60	60	100
Other	80	88	1	3	1	0
Total	180	141	61	63	61	100
Expenses	148	112	83	83	104	100
SURPLUS/(DEFICIT)	32	29	(22)	(20)	(43)	Nil
<b>Sinking Fund</b>						
Revenue Owners	20	20	10	10	10	10
Other	11	12	3	4	1	0
Total	31	32	13	14	11	10
Expenses	0	0	0	0	0	0
SURPLUS	31	32	13	14	11	10
<b>Total Net funds @ 31 Dec</b>	<b>126</b>	<b>242</b>	<b>225</b>	<b>225</b>	<b>192</b>	<b>@200</b>

## **COMMENT AND ASSUMPTIONS FOR 2019 BUDGET**

- Legal fees in 2018 was some \$13k over budget mainly due to costs in revising and obtaining approval to the Community Management Statement for the CA. Excluding the legal fee the other items were generally in line with budget noting the budget had a \$40,000 negative to allow for total planned expenditure to agree with the approved levies.
- Levies in 2019 reflect an increase in Administration to \$100k with planned expenditure is slightly above (+\$8,000) levies. The main reason for the proposed increase is due to negotiations with Pivit/Landcom over the future of the current telecommunications network and for the CA to ensure the long term needs of all residents are adequately provided.
- The telecommunications matter is complex and it is expected that in due course a proposal will come back to owners for consideration of a way forward.
- Gardening is the most significant item and owners may have noticed that in addition to routine works a number of plantings/landscaping has occurred in the last 6 months.
- In respect of the Capital Fund no increase is proposed.

## **TREASURERS RECOMMENDATION**

The owners endorse the proposed 2019 budget if \$110k in levies Levies (Administrative and Capital Fund) (GST excluded) noting the total is still less than the \$120k set in 2011.

**Ken Barker**  
**Treasurer**  
**25 March, 2019**