**To the Owners Strata Plan 69259**

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| **Mondrian Extraordinary General Meeting**  **Monday March 21st 2016 at 6.15 pm**  **In the offices of Strata Plus Level 2, 80 Cooper St, Surry Hills** |

Dear Mondrian Owner,

**Why you should attend the Extraordinary General Meeting (EGM)**

It is very important that you attend or issue a proxy for the coming EGM; to ensure a quorum and to participate in Mondrian decision making.

***It is at this meeting that you will be asked to agree to continue the additional sinking fund levies through the next financial year. Please read the attached Summary of Critical Information to understand what needs to be done to keep Mondrian financially viable.***

**Speaker attending the Meeting**

In order that owners may gain an insight into the process for the repainting of the Mondrian, Ms Katrina Hill has been invited to speak at the meeting. Katrina is a colour consultant and will outline a process of consultation with owners for deciding whether Mondrian should be repainted in the existing colours or a new scheme chosen.

**Providing a proxy**

To ***ensure that your EGM can make decisions***, there must be a quorum (minimum number of owners) attending or providing proxies. If your attendance is not possible, please complete a proxy form in favour of someone you trust to make the right decisions on behalf of you as an owner of the Mondrian. That may be the **Chairperson,** myself as **Secretary** or someone else of your choosing.

You will find the Proxy Form attached to your EGM package. Please be sure to have it ***returned to the Strata Manager at least 24 hours ahead of the meeting time,*** to ensure its validity.

**Paid to date Levies**

A reminder that your ***levies must be paid and up to date before the meeting*** for you to be able to vote or for your proxy to count. Please check your payment process, especially if you typically pay levies by B-Pay and late in the month.

I look forward to seeing you at the meeting. If you have any questions, please feel free to contact the Executive Committee or our Strata Manager, Guy Beresford on (02) 9319 1899 or at [Guy.Beresford@strataplus.com.au](mailto:Guy.Beresford@strataplus.com.au).

Yours sincerely,

**Karen Hannan**

**Secretary**

**Summary of Critical Information for EGM Decisions**

**The Need for Mondrian to Fund Major Upgrade and Repair Works**

*As advised in the previous My Mondrian newsletter Mondrian’s claim on the Home Owners Warranty insurer was settled on terms more favourable than could possibly have been expected. This has made it unnecessary for Mondrian to borrow to fund the continuing rectification work.*

*At the last AGM an additional sinking fund levy was resolved upon with the prospect of its needing to continue for as long as it took to pay off borrowings, possibly as long as 5 years.*

*With no need for borrowings to pay off the proposal now is for this additional sinking fund levy to continue for a further 12 months only. Based on what is currently known about the work that has to be done at Mondrian, cash flow projections indicate that the additional sinking fund levy would then no longer be required.*

How the insurance settlement funds have been used

In February 2016 Mondrian Owners Corporation received a final settlement amount of $1,225,000 from Allianz the Home Owners Warranty insurer. These funds have been applied to replenish Mondrian’s Sinking Fund so as to enable a number of scheduled major refurbishment projects to proceed, the largest of which is the complete repainting of Mondrian after 13 years.

The additional sinking fund “loan repayment” levy

You will recall that at the AGM last year it was resolved that owners pay a supplementary “loan repayment” levy from 1 January 2016 onwards. At the time the amount of the settlement with the insurer was not known and it was anticipated that Mondrian might have to take out a loan to pay for compliance works associated with Council’s fire order. In practice the settlement that was negotiated with Allianz exceeded all expectations and meant that Mondrian no longer had any need to borrow to complete the fire compliance work, saving owners significant interest costs.

The supplementary levies paid by owners that would have been used to repay any necessary loan have been applied directly towards making progress payments under the contract for the fire order work. The “loan repayment” levy instalments due in the coming months will be applied towards the contract for the fire order work in the same way.

The current financial situation

The fire order works are in progress and Mondrian is obliged to make progress payments totalling some $950,000 over the term of the contract which is expected to conclude in August. At the same time there are roof safety upgrade works and the replacement of the failing intercom system to be completed in the near future. In addition, most notably, Mondrian needs to urgently address the replacement of the entire hot water pipework. This has been previously discussed with owners and involves replacement of all the polybutylene delivery pipework with copper. An escalating rate of pipe failure means that this work must be undertaken without delay, if the costs of repair are not to become a burden.

The exact costs of this work will shortly be known when tenders are received next month. If it were not for the costs of the hot water pipework replacement, Mondrian would have had sufficient funds to go forward with all its budgeted repair and upgrade works, most notably the complete repainting planned for the coming financial year.

The proposal

Owners are being asked to support a proposal that the supplementary sinking fund levy, which owners are currently paying, be continued for a further 12 months. It would be at the same quarterly rate as it is now. Continuing it for a limited time would ensure that the financial viability of Mondrian is maintained. The proposal is that the supplementary levy would continue through to the quarter commencing 1 July 2017. This would raise some $300,000 and approximates to what the critical hot water pipework replacement is expected to cost.

In summary

With the advantageous settlement of the home owners warranty claim, the need for owners to have to fund repayments on a significant five year loan no longer exists. There is now an opportunity for Mondrian to go forward on a sound financial footing without the need for borrowing funds in the foreseeable future.

Major works have been undertaken over the past year and further work remains to be done. If the critical hot water pipework replacement can be funded by maintaining the sinking fund levy at its current elevated rate for the next financial year, then we anticipate that the sinking fund levies could then return to levels commensurate with what owners were paying in 2015 and earlier years.

**Mondrian Executive Committee**

**February 2016**

Refs: Sinking Fund Plan and Report on Hot Water Pipework are available to owners logging in to www.mondrianwaterloo.com.au