

# APPLEWOOD CRF FORECAST 2024

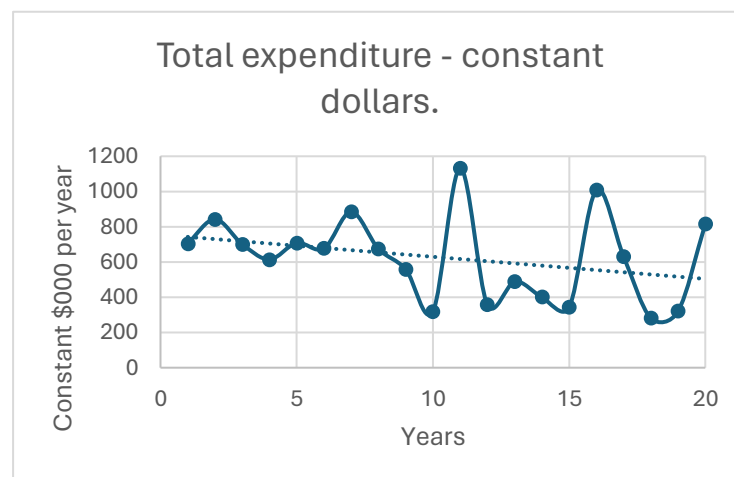
## GENERAL COMMENTS

Rod Sinclair  
4 March 2024

The latest forecast is a revision of the QS Report issued in March 2023 and following an earlier review. Few changes have been made and most of the previous comments still apply.

The following summarises the main issues.

1. It is difficult to comment on specific cost figures particularly when given in inflated dollars. As previously mentioned, it is recommended that the report should be in two parts. First a true QS report indicating the condition of items, and when and how frequently they require replacing. This report will be of most interest to residents who will be able to make relevant comments and observations. The second report is the costing of those replacements and should be given in current constant dollar values to allow costs throughout the 20 year period to be viewed in comparative terms. Only the subtotals of each section need to be inflated with the appropriate index.
2. Further to the above comment, if the total yearly expenditures given in the report are deflated back to constant dollars it reveals a general decline in real annual replacement expenditure which makes no sense for an ageing facility. This is illustrated in the following chart which shows a declining linear trend line. There will of course be large peaks from major replacements and troughs, but in general the trend should at least show a slight rise in smoothed average annual expenditure not a decline.



If the linear trend rose to \$900,000 in year 20 then the total inflated expenditure given in the report of \$16.45 million would increase to around \$22 million or a further \$6 million expenditure over the period. This may be more realistic than the figures provided and could be regarded as a progressively increasing contingency as the estimate uncertainty increases, rather than a fixed percentage contingency as used in the report.

Individual sections exhibit the same downward trend in real dollar costs such as the Villas and Activity Centre as previously indicated, which is not realistic.

3. There is still no recognition of the staged development of the village which will impact on the replacement schedule, particularly the villas and associated services such as roads.
4. Revenue figures are unchanged from the previous report even though it was agreed that the estimation of revenue from the unit sales contribution was too low. It is understood that then present contribution comes from 4 sales but that should rise to virtually all units sold in 20 years' time when most of the older contracts have been completed. Based on an average turnover of 25 units per year and an average contribution of \$25,000 revenue in current values should rise from \$100,000 to \$625,000 per year after 20 years, or close to \$1 million per year in inflated dollars. This compares with \$526,000 given in the report equivalent to the sale of only 12 units per year in the last year.
5. 50% of the operating surplus is included in the revenue. It is questioned whether it is prudent to budget for an operating surplus, ideally that should only be a small amount.
6. Fortunately, the probable increased revenue from a more realistic sales contribution and possible flexibility in retention of the CRF fee will compensate for likely increases in total expenditure indicated in item 2 and the basis for CRF funding appears to be quite sound.
7. Because of the accuracy of predicting replacement times, it was earlier suggested that estimates should be made year by year for the first 5 years and then in 5 year blocks thereafter. It was earlier indicated that the revised report would follow that layout.