



## *Discussion Forum*

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The comments and opinions expressed herein do not necessarily reflect those of the Retirement Village Residents Association (RVRA) or its Members.

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### **Painting Long Term contracts:**

Our Residents Committee has been discussing repainting of our village and the tenders have been on a once off basis or a contract payable over seven years including “maintenance” In round figures the once off payment was \$553,000 including GST and the deferred payment was seven years at \$124,000 to total \$868,000.

The painting contractors guaranteed their work for two years and the paint supplier had a ten year warranty.

It was assumed that the painting would need to be redone after 10 years which is quite reasonable with the advances in paint technology.

Therefore the difference of \$315000 represented unspecified maintenance after two years and interest costs.

We had sufficient funds in the Capital Works Fund to pay the once off amount. Spreadsheet calculations showed that the initial drop in interest income was a breakeven matter under five years and over eight years the interest was within \$3000 under either method.

The questions relating to the seven year contract were

- a. Can we commit in 2011/12 funds to be spent from the capital works fund for the next six years for work done in this year?.
- b. Can the current residents commit future residents to pay the \$124000 per annum?
- c. Can we justify Interest and finance charges being paid from the capital works fund which are not for maintenance?.
- d. Can Residents Committees incur liabilities?.
- e. Is there any security for this finance?

On the once off payment as the contract is with the operators should the Residents C.W.F. be liable for the GST.,

***Bill***

17th August 2011

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