

Minutes of the City Owners' Committee Meeting held on
9th October 1984, at 7.30 p.m.

Present: Mr. Barry Choi - Chairman, Headland Village Owners C'ttee.
Mrs. Birgitte Shapira - Finance member " " " "
Mr. Jeff Lui - Chairman, Beach Village Owners C'ttee.
Mr. Stephen Bourne - Finance member " " " "
Mr. Dennis Wong - Chairman, Parkridge Village Owners C'ttee.
Mr. James Poon - Manager, D.B.S.M.L.
Mr. Anthony Poon - Accountant, D.B.S.M.L.
Mr. Abraham Chung - Chief Accountant, HKR group.
Mrs. Barbara Gulwell - Secretary for the meeting.

1. Election of Chairman

As the former Chairman, Mr. Ian Clark, had resigned and election of his successor was being postponed until after the forthcoming Village Owners Committees' elections, it was agreed that Mr. James Poon would chair the meeting.

2. Apologies for Absence

Mr. J. Poon opened the meeting and conveyed apologies for absence from Mr. K.S. Wong. Other members on the Company side are not attending the meeting as it was specifically called to discuss DBSML's budget. Mr. J. Poon introduced Mr. Abraham Chung, Chief Accountant of HKR group of companies, and Mr. Anthony Poon, DBSML's Accountant.

3. DBSML's Budget

The Chairman said that the budget having been previously circulated and discussed in general, the purpose of this meeting was to study it in detail and explore ways and means to achieve DBSML's objective, which is to break even. According to the Deed of Mutual Covenant, the expenses of the three Villages should be shown separately. The three Villages each incur widely differing expenses and break-even point could be achieved much more easily by Headland and Beach Villages than Parkridge. In this budget, it is proposed the accounts be merged and that one bottom line is looked at instead of three. If the Committee wishes to look at the three accounts separately, this will be done. However, HKR is willing to set aside for the time being and later on to consider writing-off the previous years' accumulated deficit up to 30th April 1984, if DBSML can break even within two years and a consolidated, one bottom line budget is accepted by the Committee. Assuming this is acceptable, we would go through the budget and invite suggestions as to how a balance can be struck. It will be noted that the Waterworks account has been shown as a separate item, as Management feels that perhaps water supply should not be subsidised by Management fees but by the users.

Mr. Stephen Bourne said there are two sides to the equation - income and expenditure. All are agreed that expenditure has been cut dramatically in a number of areas and we have to look at the one thing which has been consistently ignored which is that income should also include contribution from the Resort company in respect of its coverage of expenses which are attributable to start-up cost on unbuilt units rather than simply relying on the existing three villages to provide all the income to cover all the expenditure. HKR is saying that it recognises that some of the expenditure is start-up and to that extent they are prepared to write off \$3.5m. from previous years. This year there will be another deficit and it seems we are still operating on a below reasonable level with the number of units we have now and, at least until Phase 2 is open, and possibly Phase 3, any deficit should be picked up by HKR. By looking at this budget's figures very carefully, if they are attributed correctly to the existing units and HKR, there could actually be a surplus to the existing three villages which could be carried forward for another year or two. We could possibly not be talking about an increase in Management fees but a maintenance of the present level; we have been overpaying because of the assumption that the figure currently paid is correct.

There is a very good argument that HKR could pick up the deficit at least for this year and until Phase 2 is occupied.

Mr. J. Poon said the figures have been broken down further and it can be seen that more than 90% of the expenses incurred are directly attributable to Phase 1 and all other costs are picked up directly or indirectly by other operations. For example, anything above Valley Road is being picked up by the Golf Club, including security and maintenance expenses and the same applies to the Commercial operations. The costs in this budget are actually for Phase 1.

Mr. Bourne persisted, illustrating his previous argument by citing the salaries and staff costs as a case in point, representing about 43% of the budgetted expenditure. When the next phases are occupied this particular expenditure will not increase proportionately with the number of extra units occupied, as the additional staff required will be basic staff only.

Mr. J. Poon pointed out that while this may be so, it is impossible to run, for instance, the Waterworks, with a staff of one only while Phase 1 is in operation. A basic number of staff is essential and the number of staff employed has been cut down to this basic level. The cuts in security and cleaning have already been forecast in the budget but other cuts, not forecast, have since been effected and a revised account of monthly expenses, giving up-to-date figures, has been prepared. The major reduction is in staff salaries and consultancy fees on the Waterworks and the forecast deficit has been reduced from \$1.8m. to \$1.3m. The deficit incurred this year and next year will be rolled over and it is hoped will be absorbed within 3 years.

Mr. Bourne reiterated his argument and went on to query the charges for office rent, legal and professional fees and Crown Land rent. Mr. Chung replied that only one-fifth of the total Crown Land rent payable is attributed to Phase 1, the balance is paid by HKR, being rent on undeveloped land.

Other queries were made regarding figures for repairs and maintenance and road maintenance, for which no breakdown had been given, also no adjustment appeared to have been made for the saving on rubbish disposal by burning. The number and cost of motor vehicles and the cost of independent consultancy services were also considered excessive.

Mr. J. Poon explained that the saving effected by burning some of the rubbish had already been taken into account in the budget. It was planned to reduce the number of vehicles. Ninety-five percent. of the charge for consultancy services represented legal costs for recovery of debt due to non-payment of Management fees, the balance being other legal expenses directly attributable to residents. The company's Auditors, Price Waterhouse, had certified that DBSML's accounts audited by them were directly attributable to Phase 1.

Mr. Bourne took leave to doubt that. He requested DBSML to refer back to HKR and ask them to come up with a suggestion. At a minimum he recommended that the entire deficit of DBSML be picked up by HKR until such time as all O.P.s have been issued on Phase 2.

Mr. J. Poon asked the Committee to consider ways to achieve a break-even point in two to three years' time to cover the rolled-over deficit. An increase of the Management fee from 50 cents to 60 cents would increase revenue by \$100,000 per month and with the addition of Phase 2 when it is occupied, income should reach break-even point. An alternative is to detach Waterworks from DBSML as it could be considered unfair that DBSML picks up the deficit; it should be financed mainly by the user, perhaps by a surcharge on their water bill, which would reduce as the number of users increases. This alternative suggestion was criticised as still being unfair to the residents.

Mr. J. Poon stated that there is a limit to the amount HKR will absorb. They have indicated they will conditionally agree to set aside the deficit accumulated to 1st May 1984 if the primary objective is achieved but later deficit should be recovered.

The Committee said they would look on this as a starting point for negotiation as long as Management fees are not increased until Phase 2 comes in and deficits are balanced. Mr. Poon said he will take this proposal back to HKR.

The date of the next meeting to discuss this matter was agreed as 30th October 1984, at 7.30 p.m., at DBRC.

4. Ferry Operation

Mr. J. Poon advised that a priority system for residents and Golf Club members had been proposed and he would appreciate the Committee's reaction to it. Briefly, the idea is to reserve the last 20 (or more) seats on weekend ferries for residents and Golf Club members until 5 minutes before sailing time. The number of seats to be reserved is open to suggestion. Production of Residents Club or Golf Club membership cards would gain entry to a reserved seat.

After protracted discussion, the Committee recommended that a priority system on the same lines as operated previously was preferable, i.e. residents have priority up to 10 minutes before sailing time and then tickets would be sold to the public. To accommodate guests of Clubs' members, the following proposal was made: Residents and Golf Club members to have priority up to 10 minutes before sailing time. If they are accompanied by guests, they may purchase up to 4 tickets during the priority period, upon production of their Club membership card. The ticket collector would inform the ticket office at 10 minutes before sailing time how many seats had been taken up and the ticket seller would then sell the balance available to the public. Mr. J. Poon will put this proposal to the ferry services management.

5. Bus Operation

Mr. J. Poon presented interim accounts of the bus company, the auditors' figures not being ready yet. The bus operation is running at a current deficit of \$60,000 per month. The figures have been looked at carefully and they are all direct expenses and cannot be cut. The only way to get the bus operation into near break-even point is to increase fares. To this end, three alternative proposals have been prepared for consideration, containing three different fare structures and schedules. The proposals were studied by the Committee but none met with unanimous approval. Mr. Bourne suggested that the basic bus fare be increased to \$2.00 to Parkridge and \$2.50 to Headland; after 10 p.m. a flat rate of \$3.00 be charged with only one bus in use instead of two, making one continuous round trip; hire car rate be increased to \$5.00. This was considered reasonable by the Committee, with the reservation that the noise generated by a large bus serving Headland Drive late at night would not be acceptable to Headland Drive residents. No solution to this particular problem was put forward and it was agreed it would be discussed again at the next meeting.

6. Any Other Business

- 6.1. A member requested that the rubbish-burning at Sam Pak area be stopped. Mr. J. Poon advised that Government Inspectors had inspected the incinerator, which was of a type used elsewhere by Government to burn rubbish. He was hopeful that some assistance from Government may be forthcoming in connection with garbage disposal.
- 6.2. A member enquired if HKR would be selling the Village Resort units in the foreseeable future. Mr. J. Poon replied that the Village Resort units are not owned by HKR but are leased by Village Resort from private owners.

- 6.3. The next meeting date was confirmed as 30th October, at 7.30 p.m. and the representatives of the school and DBRC would be informed.

Chairman