



A Note from your Rescom

Dear Resident,

The purpose of this communication is to update you on matters which will affect you financially as well as the services available in Bergvliet village.

Many of you know Rescom, Fincom and Evergreen Lifestyle Villages management ("ELV") have been in discussions since the AGM and even earlier, to resolve the budget and by association the levies for Bergvliet Village.

Summary of what Rescom and ELV want to achieve

The memo below is necessarily lengthy, because Rescom believes we had a duty to put all the facts in front of you, however this is a summary of the outcome Rescom and ELV are proposing

- **To Establish a Target Levy by dividing the total budgeted management expenses of the village by the number of units (i.e., 100).**
- **Most residents who are already paying higher than this levy will get a reduction on the current monthly levy effective from 1st September 2022.**
- **Residents who are paying below this levy will receive an increase per their signed Life Right Agreement. ("LRA") on 1 September annually until the Target Levy is reached.**
- **Therefore, by following this process most residents will get a reduction in their monthly levy.**
- **Evergreen Property Investments ("EPI") will fund the variance between the Target Levy and those residents that are paying below the amount until such time that the Target Levy has been reached.**
- **Catering and Healthcare Services do NOT form part of the LRA under basic facilities and services.**
- **Catering Services in its current form, which attracts a "Management Fee" of R28 000 per month, R280 per home per month, to be ceased and an alternative model that does not have a management fee to be sourced.**
- **Healthcare services in its current form, costing R900 per home per month, with a nurse sitting in the clinic, to be ceased and those individuals that require Healthcare services to contract directly with Evergreen Health.**

Background

You will perhaps recall that Joan Misplon sent you an email on 26th May this year which informed you of ELVs intention to add several new charges to residents' levies. These new charges included head office costs, building insurance, catering and healthcare, and we were advised that these changes are to be applied across all ELV villages.

We are currently dealing with the provision of catering and healthcare services.

Joan's email contained this notice:

ELV management maintain that healthcare and catering services fall outside of the 'Facilities and Services' as agreed upon in our Life Rights Agreements. ELV Management say that historically these services have been erroneously provided to residents and thus allocated to the operational expenses of the village, and as a corrective action these costs will now be charged directly to residents on a per Unit basis and will no longer form part of the village's operational expenses. The alternative from ELV Management's perspective is that these services may be reduced or withdrawn, depending on the

level of funding received via the additional levies. ELV Management are proposing that this additional levy will be R 500 per Unit per month for catering and R250 per Unit per month for healthcare .

As a consequence Rescom conducted an on-line survey which was completed by 76 of the occupied homes, thus at least 80% percent of residents voiced their opinion, which was resounding rejection of such levies or funding.

At the AGM, held on 14th June ELV management reiterated these statements and the AGM minutes record emphatically, as does other Evergreen correspondence, that catering and healthcare costs are not a basic service provided for in the LRA and therefore need to be paid for separately if these services are to continue.

Rescom has examined some of the differing LRAs in force in our village and agree with ELV management, with the possible exception of the LRA versions signed by residents who were the first to inhabit this village, the early adopters.

Regarding healthcare the LRAs basically say the following:

All residents will receive a 24 hour emergency alert service, alternatively worded 24 hour response system or similar, which is included as a service to be funded by the Levy, and currently this is provided via the Telecare service.

Early adopters also have an Emergency Nursing care clause in their LRA.

For the remainder of healthcare, all other nursing services, including home-care, are determined on the basis that the resident pays for the services rendered.

Regarding catering the LRAs basically say the following:

The cost of meals and other catering services shall be for the LRA holder's account.

The Current situation

As you would expect because of the above, catering and healthcare are currently recorded in the village's monthly management accounts as **Expenses Not Included in the LRA**.

Notwithstanding, in the current budget cycle residents have collectively paid approximately R132,000 per month from their levies for these items which are, as explained above, not part of resident contractual obligation in terms of their LRAs. For many residents this amounts to over R1,300 per month per unit or over R15,500 per annum per unit.

Moreover it is a fact that at present ELV is not funding these services but the residents of this village are. There is not a loss in this village, we are in fact profitable.

For these and the reasons set out below, Rescom has reached the conclusion that it is a waste of levies, to continue to fund these services.

Catering:

Rescom has determined that the Bistro serves on average 250 meals per month (inclusive of the Wednesday night social dinners), and according to ELV is used regularly by no more than 50 residents. And yet from the combined residents' levies Western Province Caterers (WPC) have been paid a R41,000 management fee per month before a single meal is served. This means every meal served has already cost around R164, thus the true cost of the social dinner is not R120 per person, but at least R284 if a resident attends one Wednesday evening dinner per month. Furthermore, even this comparison does not tell the full picture because even residents who do not use the Bistro will have paid the R164 referred to above.

The fact is, the Bistro is not viable as a business, it is by choice a resource underused by the residents of this village, moreover the majority who do not use the Bistro are subsidising those who do and according to the LRAs it is a service that should never have been provided in the first place.

A different approach must be found, therefore.

Healthcare :

A contingent of nurses attend the Bergvliet clinic 24/7 at a total cost of just under R91,000 per month. One of our residents is a Registered Nurse, and she points out that the qualifications of most nurses employed severely limits their usefulness in a serious health emergency.

Rescom has determined that the residents' demand for the village nurses is extremely low, with less than 10 residents regularly engaging them, and in any event these nurses are mainly conducting Homecare services for which the residents are charged and have to pay themselves.

This lack of use of the nurses should be of no surprise to our residents, as Bergvliet is an independent living facility, as set out in residents' LRAs and this must be considered in terms of healthcare services needed in Bergvliet.

Thus except for being available to be used by Evergreen Health (EH) for Homecare service, the R1,1 million spent per annum for Bergvliet Healthcare from residents' levies is a gross overspend of funds. For many residents this amounts to over R900 per month or over R11,000 per annum

A different approach must therefore be found.

Levies:

As this village has evolved the levy defined in residents' LRAs, from the early adopters to the current signatories has created a situation where levies range from approximately R5,500 to R8,000 per month (and for most residents this amount excludes the cost of municipal rates).

This is neither fair nor right because all LRA holders share and have access to the same services and facilities.

To correct the imbalance above, ELV have proposed a solution which Rescom fully supports.

ELV is going to implement the concept across all of its villages of the **target levy**, which will be the total budgeted operating cost of the village for the year divided by the number of units in the village (in the case of Bergvliet 100).

In addition, in the management accounts, ELV will make sure that rates are correctly recorded.

As a consequence, any reduction in operating costs such as the removal of the current catering and healthcare costs shown in the management accounts as **expenses not included in the LRA** and which total approximately R132,000 per month (and over R1.5 million per annum), will lead to a reduction in Levy for most residents and no material increase for those residents already paying the lowest levy, by the agreed amount in their respective LRAs.

Rescom fully supports these changes to catering and healthcare, and wants those affected residents to have the full benefit of possible levy reductions.

Even those few who may not receive a levy reduction now, will benefit from the reduction in current operating costs as the base for future increases will be lower.

Some options for residents to consider

Option1

If the catering and healthcare charges recorded in the management accounts as **expenses not included in the LRA**, are removed entirely from this village's management accounts it will, as noted above provide for reductions in levies for the majority.

The question is what then happens to the catering and healthcare service?

Catering:

Since the majority don't use the Bistro services provided by WPC, residents can choose to let ELV cancel the contract and do nothing further. There are many take away and catering services in the surrounding suburbs whom residents can order regular, and special occasion meals from.

It should be noted that many resident's do this already and a number of home meal delivery vehicles from multiple vendors bring meals into Bergvliet village daily.

The village will arrange Wednesday evening meals by engaging with different outside caterers to provide these meals.

Coffees and teas will be available to residents in the Bistro area free of charge Monday through Friday, as an amount of R5,000 per month is being allocated in the budget to cater for this refreshment service.

Healthcare;

While the clinic will not be manned by nurses 24/7, EH will contract directly with residents needing home care nursing services and they have assured Rescom that resident's will not be disadvantaged in any way.

Residents' emergency response system is the Telecare system, and ELV has initiated an overhaul and an improved system has been budgeted for in the village's costs as part of the revised levies. When implemented the responding paramedics will be at no charge to residents nor will their consumables be charged. This will be a considerable benefit and cost saving to any residents making an emergency call.

It must be remembered that the nurses currently stationed in the clinic are not capable of dealing with an emergency health call. An emergency health situation is an acute injury or illness that poses an immediate risk to a person's life or long-term health. It does not include putting a plaster on a small cut, a sprain, a pulled muscle and the like. An emergency health situation requires a paramedic with lifesaving equipment.

It should also be noted that ELV has acknowledged its obligations to early adopters in terms of their particular LRA conditions.

Option 2

As above catering and healthcare will be removed entirely from this village's management accounts to provide for maximum reduction in levies for the majority.

Residents can request that ELV implements their LRA contractual conditions whereby the user-pays approach to both Catering and Healthcare is stated. Residents must remember that most of them will have the benefits of a substantial reduction in their monthly levy, and those that want to buy additional services will be able to do so from these funds. It will mean that the majority of residents who do not contract for these services will not be subsidising those who do.

There are numerous ways this can be achieved, and Rescom has been actively trying to develop the idea below:

Catering:

WPC might be replaced by a caterer with a better product and zero or lower management fee inducement.

Residents who want the catering services to remain, might become members of a "Club" for which membership they pay a membership fee, which gives them access to the Bistro service at preferential prices.

The “Club” members monthly fee will cover the caterers monthly management fee. In addition non-club residents might be allowed to use the Bistro if space and meals are available, but will pay higher meal prices closer to the commercial rate found outside the village.

Healthcare :

The Telecare service budgeted improvements as outlined in option #1 will be implemented.

Residents who want the general availability of a Nurse for whatever reason, in addition to home care should contract with EH directly. EH have indicated their willingness to put such a package together. However, if they do not then residents can utilise savings in their levies to engage other organisations for the services they need.

Option 3

According to ELV, some villages have adopted the approach whereby, despite the fact that these services should never have been provided in the first place, the residents in these villages have now voluntarily agreed to have additional catering and healthcare services added to their LRAs. Such an approach is not selective, each residents in such village will now incur additional levies.

The additional levy costs and the facilities they receive for these additional levies will vary according to the number of residents in the village who elect to take up the services and the adjusted service they have accepted.

Such arrangements are less costly to an individual resident in larger villages, because unlike those with 200 or more units, in Bergvliet there are only 100 units over which to spread such costs if each resident takes up this option.

The following are the levies Rescom calculates Bergvliet village would face if the following example is adopted.

Catering

WPC has reduced its service in Bergvliet to only provide the following:

- Morning breakfast, tea, coffee, and cake service,
- Daily Luncheons in the Bistro and
- Take away meals, plus
- The weekly social dinner

If residents retain this service, and it is built into their levies, it will cost every LRA holder roughly an additional R280 per month, before a single meal or cup of coffee is served.

However, Rescom knows for a fact that not every Life Right Holder is in favour of this offering and so the R280 per unit is unrealistic. If 50% of the Life Right Holders vote in favour of this offering then the cost will be R560 per unit per month.

Healthcare

The Telecare service budgeted improvement as outlined in option #1 above will be implemented.

One of the larger villages has kept an ENA nurse in attendance every week day plus a part time RN Nurse. If Bergvliet residents agreed to have their LRAs altered to include a RN two days per week plus an ENA nurse every weekday, it will add approximately another R330 per month to the levies of every resident. unit. However, as with catering, Rescom knows for a fact that not every Life Right Holder is

in favour of this offering and therefore R330 per unit is an unlikely cost – more like R660 per unit per month if there is a 50% take-up.

In addition having Day nurses funded by residents' levies, will simply mean these nurses are once again idle for much of the time, except when they are called upon to perform home-care duties, for which the recipient will in any event pay directly.

Conclusions

Of course many other variations might be considered and subsequently adopted, but Rescom must remind you that ELV have categorically and repeatedly stated that they are not contractually obligated to supply these services, which are by their definition Expenses Not Included in the LRA. Healthcare and Catering is not something unique to Bergvliet – ELV has stated that these services are not included in any of its villages' basic services covered by levies.

Residents are encouraged to re-read the section above headed **Current Situation**, where it is apparent that the majority neither want, nor use, these services, and for them they would welcome the reduction in levies, as they consider this to be a gross waste of expenditure at a time when retired persons incomes are under pressure.

If after all of this residents do want to retain option 3 they will be adding at least R610 per month (and probably double that amount) to their levies for services from which only a minority of residents derive any benefit.

Rescom apologises for the length of this memo, but we believe we had a duty to put all the facts in front of you, and we realise that for some this may still be confusing and that you have questions.

Therefore you will have the opportunity to question Rescom members and the management of ELV on these matters and satisfy any concerns at a Residents Meeting on **Monday August 29th at 10h00** in the Club house.

For the sake of maintaining impetus, we suggest that residents who do not have any questions or concerns need NOT attend the meeting, but those residents with questions or those that require clarity should attend.

In addition Rescom suggests that you mark the areas in this briefing note that you wish to question or on which you need clarification and submit these questions to me in time for Rescom and ELV management to prepare comprehensive answers for you.

Please also submit written question if you are unable to attend.

Finally

I have discussed this communication with Garry Reed, MD of ELV and we have concurred on the suggestions as set out in the conclusion above.

Yours sincerely,

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