

Condo Smarts

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Dear Condo Smarts: Who has the authority to make decisions in our strata corporation? At last week's strata meeting, the strata council president placed an item on the agenda to deal with investing our contingency reserve funds. When the matter came up on the agenda, the strata manager informed us that he had already taken care of that, and our funds were invested in a 3 year term to maximize our returns. While the return rate is reasonable, as a strata council we are a bit confused over who has the authority to make these decisions. In addition, while we can redeem our investment early, we would entirely lose our return on the investment if we have to cash the investment in early. Our roof is already a year past due for renewal, but the manager simply advised us to pass a special levy rather than to use our fund we have been saving. What's the point of reserves if we don't use them for the renewals in our buildings? Is that not what depreciation reports are about? Saving for the future repairs? *Gordon J. Abbotsford*

Dear Gordon: When a strata corporation retains a strata management company they enter into a strata management contract, this creates an agency relationship between the strata corporation and the agent/brokerage. This authorizes the strata manager, the agent, to act on your behalf and execute the contracted and instructed directions. The contract does not abdicate your authority as a strata council to any party. The elected strata council members are essentially the legal representatives of the strata corporation, and responsible for the implementation of: the annual budget, bylaws, administration within the requirements of the *Strata Property Act, Regulations and Bylaws* of the strata, the convening of meetings, record keeping and documentation, maintenance and repairs of common property and the administration of the finances of the strata. Even though the strata corporation retains a manager, the decision making authority over matters such as your investments are that of the strata council, unless the council have by majority vote given specific instructions. In either scenario, the instructions and decision of council should be contained within the minutes of the council meetings as they inform owners

of the council activities and provide the necessary authority for the manager or a different person to act. For example, the council may have voted to appoint the treasurer as the person with the authority to sign off the investment decisions, or the council directed the manager to proceed with moving the reserve funds into a specific type of investment. Either decision or direction should be found in the minutes of council meetings. In addition to scheduled meetings, strata councils are routinely using email to make decisions, and while many bylaws do not necessarily permit email meetings and decisions, as a frequent practice, strata councils and managers need to ensure decisions made outside of council meetings are documented and included in the next scheduled council meetings. To address the point of depreciation reports and reserve funds, we only have to look at the history of our industry. Insufficient funding for future repairs, no disclosure available of building inventory, condition or maintenance, and a lack of a financial planning for the strata corporation, have all come together to put many of our older communities in serious financial hardship. Yes, the purpose of your reserve funds is future planning and emergencies. If you planned \$250,000 for a roof replacement, the owners will expect you to use the funds for that purpose. It's a great time to plan. Don't delay, be well informed. Get your depreciation reports done.

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