Condominium Home Owners' Association of British Columbia
Leadership, Education and Resources for strata owners across BC
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Condo Smarts

Headline: Council asks for funding before getting cost quotes
Topic: Depreciation Reports, Voting
Publication / Date: The Province, November 17, 2016
Written by: Tony Gioventu

Dear Tony: Our strata council presented two resolutions at our AGM last week to approve $100,000 for a new roof and $68,000 for balcony membranes. They included these as a majority vote???, because they were recommended to be replaced in 2017 and they are planning to have the work done through next summer. The problem with blankly presenting these resolutions is no one knows what the real amount is going to be. Will it be more, less, require additional services, or require a special levy to meet any of the differences we can't fund? When questioned about quotes, the council response was they would reach out to contractors once the funds were approved and negotiate contracts. Doesn't this seems to be a backwards way to do business? Needless to say, the projects were voted down because our owners did not have any reliable information.

George M. Langley

Dear George: Yes, the changes made to the *Strata Property Act* now permit a strata corporation to approve a contingency expense by majority vote when that expense is recommended in the report. The provision is for the convenience of strata corporations to reduce barriers around funding of the contingency and expending funds by implementing a depreciation report, but it does not replace common sense practices of buying goods. Apply the principle to most of the goods and services we purchase every day. Once we have an idea of a product or service we are interested in, we immediately want to know what it will cost. Then we manage our budgets to meet the needs. A simple sequence for strata corporations to follow will achieve both the projected renewals and the funding without delays. The deprecation report is based on estimates. Estimates of values of components, cost of renewals or major service requirements, and estimates on the remaining life of the product. Before the owners will approve the funds they require facts.

Step 1: The council annually reviews the depreciation report to determine which projects are imminent and require a purchasing process to start. This generally applies to projects that will occur within the next 3 years. Assuming your roof is estimated for replacement in 2018, the strata will engage a consultant to set up specifications (legal services are recommended for any major construction).

Step 2: Once the specifications are completed the consultant will be in a better position to closely estimate market pricing for the construction. At this time the strata may wish to approve the range of funds recommended for the scope of work or wait until they have competitive bids for the cost of the construction.

Step 3: Confirm the costs and call a general meeting to approve the cost of the recommended renewal by majority vote from the contingency reserve fund. By setting up the renewal as a major project, the strata will have investigated the scope of the construction being proposed, have estimates or bids on costs, engaged a legal review on the bidding process and proposed contracts, and the owners will be satisfied that what they are approving is what they will be ultimately getting.