

## Condo Smarts

Headline: Is it an operating or reserve allocation?

Topic: Expenses

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**Dear Tony:** We live in the Okanagan and our strata corporation is located on a higher elevation. Naturally, we have snow frequently. Up until December of 2020, our strata corporation have contracted a snow removal service for our roads and walkways for owner safety and access. Our strata council attempting to save money decided to terminate the snow removal service and purchase a tractor with blower for \$7,500 from our budget line item which is only identified as snow removal service contract. The owners did not have an opportunity to vote on this decision, and it is questionable by time we pay for additional operations costs this will ever save us any costs, and we will always be dependent on a council member or owner within our strata corporation to clear the snow. Is a strata council permitted to reallocate the funds approved by owner to other items or costs?

*Bill CT*

**Dear Bill:** The strata council is bound to the limitations of the approved budget. They do not have the authority to reallocate funds and would require a special general meeting and approval of the owners. The annual operating budget is for those events that occur at least once a year or more frequently. This includes utilities, insurance, maintenance costs, professional services, management services, scheduled inspection and maintenance of building components, security costs, and general operational costs. The definitions of the allocations are also critical in the annual budget, along with the frequency within the budget cycle.

The contingency reserve fund is for those items that are expensed less than once a year and relate to depreciated items for major maintenance that occurs less than once a year or renewals and repairs that occur less than once per year.

The exceptions to these expenses are emergencies and insurance deductibles which may be expensed from either the operating fund or the contingency reserve fund.

A principle of the *Strata Property Act* that is often misunderstood and confused is how the funds are expensed and approved when a corporation is conducting major purchases of assets. Whether it is a new snow blower, pool table for the rec room, newly installed exterior lighting systems, a new security locking system, additional security cameras, or lobby furniture, the Act requires a  $\frac{3}{4}$  vote for the purchase of any assets over \$1,000, unless the bylaws have been amended. The purchase of the tractor is also an asset of the corporation and to be include in future depreciation reports. This is unlikely to occur if the amount is expensed through the operating fund and not tracked as depreciated item on future reports.

In a recent decision of the Civil Resolution Tribunal under strata plan EPS2744, the strata corporation expended almost \$4,000 from their operating budget on rekeying their common areas. While the security upgrade may have been necessary, the corporation had sufficient time to add this expense to a general meeting agenda and it was deemed not to be part of the operating budget as an annual expense. The strata corporation has been ordered to hold a General Meeting to approve this expense from the contingency reserve fund by  $\frac{3}{4}$  vote.

While everyone can appreciate the attempt to provide increased service and reduced costs for the owners, the introduction of the tractor and snow blower now requires a storage area, has increased liability for the strata corporation, and will require a resident or employee to safely operate the equipment and be available throughout the winter season. In the case of assets purchases over \$1,000, always convene a general meeting for the owners' approval before you buy.