CHOA

Condominium Home Owners Association of British Columbia

Leadership, Education and Resources for Strata Owners Across BC

Website: www.choa.bc.ca / Toll-free: 1.877.353.2462

Bulletin: 300-942

Condo Smarts

Headline: Harmonized resolutions
Topic: Special Levy, Depreciation Report
Publication / Date: Province, May 20, 2021
Written by: Tony Gioventu

Dear Tony: I am not sure if you have ever come across this problem before. Our strata council proposed the replacement of our 2 roofing systems on our building in April. There was a resolution for $150,000 from our contingency fund, and $100,000 by special levy. The contingency resolution only took a majority vote because it was a recommendation in the depreciation report. The special levy required a 3/4 vote. As one would expect, everyone voted in favour of the contingency expense, but the resolution for the levy was defeated. Now we are stuck in between 2 decisions, not enough money to manage 1 roofing system and we have also discovered the amount recommended in the depreciation report is not accurate at all. Is there a simple method to prevent this problem? It is bizarre that the approval of a levy from owners is a different voting requirement than the approval of owner's money already in a contingency fund.

Hannah W. Delta

Dear Hannah: When depreciation reports were introduced, the *Strata Property Act* was amended to easily enable strata corporations to save money and spend money all by majority vote. This was intended as an incentive for corporations to contribute higher amounts when approving the annual budget by majority vote without any limits.

At the same time, a strata corporation was permitted to approve the funds from the contingency to be spent, if the item was identified in the depreciation report and recommended for renewals in a relevant period, by majority vote. The values established in depreciation reports are estimates only because the deprecation planner does not conduct technical performance reviews of each component or market costing. The time period of 3 years for each report can easily see the pricing and values vary significantly as we have seen in the last 16 months of COVID-19 restrictions and slow downs. The pricing in the last 6 months alone has doubled for many products and services.

When a strata corporation is planning major construction start with a reliable consultant or contractor to assist with budget planning however you may not be able to establish a realistic price until your strata solicits bids or quotes. Accuracy in budgeting is critical to enable completion of projects. Once you have determined the projected budget, the strata council decides on what methods of payment for owner approval.

Use of both the contingency reserve fund and a special levy is very common; however, if they rely on successful approval for the projects, include them in the same resolution. This will also allow the strata corporation to address other common 3/4 vote issues such as the approval of any significant changes in use or appearance.

When you include both a contingency expense and a special levy in the resolution the approval of the funds is not identical. The Special Levy is for a fixed amount and should be expensed first. The contingency is "up to" an authorized amount. By approving the funds in this sequence, the question of a refund, if there are funds remaining, is resolved and only the funds necessary to be spent from the contingency are accessed after the levy funds are exhausted. Even though this may be one resolution, the strata corporation must report the special levy separately and account for any revenue and expense items. The annual financial report must include the details of all revenue and expenses from the contingency reserve fund.