



Strata Living

Headline: Who holds the funds?

Topics: Contingency Reserve Funds; Investing

Publication / Date: 24 Hours, Feb 9, 2017

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Dear Tony: Our strata corporation has been raising significant contingency funds for the past 5 years since we had our first depreciation report. While we are only 28 units, we are preparing for balcony upgrades and new roofing in the next two years, so we have already saved \$300,000 towards the repairs. Our treasurer has invested the funds with an investment firm in a general mutual fund investment account and several of our owners are unhappy with the risk and demanding we remove the funds from the investments and place the funds in a GIC at our bank. How does a strata know whether what type of investments are permitted?

Kyle D. President of Council

bulletin on permitted strata investments go to: www.choa.bc.ca and search "Investing Your Contingency Reserve Fund".

Dear Kyle: Strata corporations are permitted to place their funds in interest bearing investments but the type of investments are restricted by the *Strata Property Act and Regulations*. The basic requirement for investments is savings or chequing accounts, term deposits or GIC's that are insured by CDIC insurance or treasury bills issued by the government of Canada or a bond or debenture guaranteed by the government of Canada or a province. The intention of the regulations is to limit investments to secure or insured funds and minimize the risk of loss to the public. Interest earned on the contingency fund or a special levy fund becomes part of that fund. While the current rate of returns is nominal, it is also nontaxable provided your strata corporation remains in the status of a non-taxable corporation. It is also important to ensure each of the investments is held in trust, in the legal name of a strata corporation. The legal name of each strata corporation is "the owners, strata plan ABC 1234". The strata council are the elected representatives of the strata corporation and the investments are determined by a majority vote of the strata council or as defined in the bylaws of your strata corporation. For an expanded