
Strata Living

Headline: What is a majority vote and what is a ¾ vote to approve contingency fund expenses?

Topics: Voting, Depreciation Reports

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Dear Tony: At our annual meeting last week the owners defeated the annual budget and all of the resolutions that council put forward for 2017-18. The strata council had put forward a budget including items that were not part of annual operations and they had included several contingency items for major repairs by majority vote that had no estimates or specifications. This resulted in significant confusion at the meeting and the existing council resigned and a new council has been elected. One issue that kept arising was how do owners just approve a contingency expense item that is recommended in our depreciation report without any estimates and proposals?

Howard E.

Dear Howard: The *Strata Property Act* permits a strata corporation to approve funding by majority vote at a general meeting recommended in the depreciation report. The depreciation report is an excellent tool for the strata to plan a component renewal and estimate costs, but those are only projections and require detailed inspection, specifications and estimation of costs either through a bid or construction management process. Roofing is a common example. A depreciation report recommends a roof is replaced in 2018 and the estimated cost is \$200,000. The strata corporation starts the renewal process at least 2 years in advance and retains a roofing inspector/consultant to determine the accuracy of the condition, projection of the remaining life and a scope of work for the replacement of the roofing. Estimates can then be obtained to

determine what funding the strata will need the owners to approve. The actual funding may be more or less than the depreciation estimate and it will provide the owners with reliable information for decision making. When a strata corporation approves an amount for a contingency expense as recommended in the report it remains a contingency expense and the strata corporation is authorized to expend up to that amount from the contingency fund. The expense is reported as particulars from the contingency fund and included in the annual financial report. It is not comingled as part of the operating fund to prevent misallocation of expenses and costs. Remember when a strata corporation does not approve an annual budget they must convene a special general meeting within 30 days to present a new budget for consideration.