

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-283

Condo Smarts

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Dear Condo Smarts: Our strata had a bit of a wrestling match at our AGM in January. The retiring council proposed a 15 percent increase in strata fees, and the owners chopped down the budget and left us with the same budget as last year. We've just received our insurance renewal and with the increase in our service contracts and utilities it's looking like we're going to be short by about 20 percent at the end of the year. In the short term we'll borrow the funds from the contingency to pay the bills, but we were wondering if we can amend the budget half way through the year? Our property manager says yes we can amend the budget, but our accountant advised that we cannot amend the budget half way through the year. So how do we raise the additional funds? Karen L. Kelowna

Dear Karen: The annual budget that is proposed at the AGM each year is an estimate of what the strata council and the manager project will be the funding needs for the year. The Strata Act gives provisions to amend the budget at the Annual Meeting when it is ratified, but it is silent on whether you can amend the budget throughout the year. However; there are other sections of the Act that generally direct us away from amending the budget, except for the AGM where it is approved. A strata must prepare a budget for the coming fiscal year, that is passed by majority vote at the AGM. The fiscal year is a 12-month period and there is only one annual general meeting for the corporation. In addition to those limitations, the strata has to remember that when someone purchases a unit they have likely provided the purchaser with a Form B information certificate that show the monthly strata fees and disclose any amount the strata may exceed the expenses in the budgeted year. There can also be significant additional costs with changing formulas half way through the year associated with your book keeping and management services. This leaves you with basically two options. You can continue

to the end of the year and report the deficit to the owners, which they will have to pay in the following year, or you can call a special general meeting and approve a special levy to offset the additional expenses. The special levy is the best option to consider. It provides the owners with notice of the funding crisis and at the end of the year you are not left with a debt burden. Look at it this way, if you get to the end of the year and you are 20 percent short on fees, then automatically next year's fees are going to be 20 percent higher along with the projected increases for the following year which under the current energy market could be substantial. At the very least strata corporations need to budget conservatively and include the cost of living in their annual projections. They must also annually assess the financial status of the reserve fund. If you have been spending emergency costs or insurance deductibles from your reserves, replenish them as soon as feasible. Don't forget, the carbon tax comes into effect on July 1, 2008. This tax also applies to residential services. It isn't a significant effect on most budgets in 2008, but in future years as the tax increases the cost is substantial and must be factored in. The tax imposed on each fuel type will be proportional to the greenhouse gas emissions produced by burning the fuel, measured in terms of tonnes of CO2 produced (or the equivalent for other greenhouse gases). The tax will start on July 1st, 2008, at a rate of \$10.00 per tonne, and will rise by \$5 per year up to \$30 by 2012. The current rates per fuel type will be:

Gasoline: 2.41 cents per litre in 2008, rising to 7.24 cents per litre by 2012

Natural gas: 49.88 cents per GJ in 2008, rising to 149.64 cents per GJ by 2012

Electricity: There will be no carbon tax on electricity

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