

## Condominium Home Owners' Association

*Serving BC's Strata Property Owners since 1976*

Bulletin: 300-315

### Condo Smarts

Headline: Line of Credit

Topic: Reserve Fund, Operating Fund

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**Dear Condo Smarts:** Our strata has invested our reserve funds and operating surplus into a one year GIC with a great return. What we forgot was cash flow. We have some major expenses such as insurance, a boiler replacement and roof repairs and if we are permitted to cash our GICs we lose the interest. Our strata council was discussing options and our treasurer who works for a bank suggested we simply use the GICs to secure a line of credit for cash flow until the terms mature. We did, the owners were informed, and now we are facing a petition to remove council because of this decision. Doesn't council have this authority?  
Grant D., Victoria

**Dear Grant:** Strata council does not have this authority. A strata corporation is permitted to borrow funds, however, they are required to obtain a 3/4 vote of the owners at an annual or special general meeting before they may proceed. This is to ensure that the strata does not enter

into a debt load without the consent of the owners, as that debt is an obligation of the strata corporation, not the individual council members. The strata corporation may secure the borrowing, which your strata has done, against a negotiable instrument. It may also use a mortgage of property, but not common property, or an assignment of unpaid strata fees or special levies. So while yes you may borrow funds created by the line of credit, you need a 3/4 vote, and you need to approve how the principle and the interest on the loan is to be repaid. It may be through a budget item through strata fees, a special levy or reserve fund expense. Strata corporations also need to consider that credit card accounts are a form of borrowing. Those debts can easily swell out of control with crippling interest rates if balances are carried on the accounts, and because credit accounts are often unsupervised, a strata corporation can easily find itself laden with a uncontrolled debt.

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