Condominium Home Owners' Association
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Condo Smarts
Headline: New Regulations that affect your Annual Budget
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Dear Condo Smarts We had our annual general meeting on Saturday. The new legislation about depreciation reports was reviewed and our strata corporation had two questions where we would appreciate some assistance. Does the change in contributing to the contingency fund have any impact on our strata? We read the new regulations and cannot find anything different about how we contribute. Our second issue was around how we pay for the depreciation report. Because this occurs only once every 3 years is this an operating expense or a contingency reserve fund(CRF) or special levy expense? It is a significant difference because we are sure we can get a majority vote to approve the report, while we may not be able to get a three quarters vote to approve a CRF expense or special levy. If you have some information about the experience of other strata corporations that may be helpful. *Glendale council*

Dear Glendale council: The first part of your question relates to a significant change in the regulations. Up to December 13, 2011, the strata corporation required a three quarters vote of the owners to contribute more to the CRF if the balance in the CRF was greater than the total amount of the year ending operating budget. So if you had $150,000 in the CRF and your operating budget end of 2011 was $145,000, you could only contribute more to the CRF if you had a ¾ vote. This was a significant barrier for long term planning and for strata corporations to build up their CRF over the long term. This regulation limiting the contribution no longer exists. All contributions to the CRF as part of your annual budget either as a surplus or a planned amount in the annual budget are now a simple majority vote as part of the approval of the annual budget, and once a strata corporation has their depreciation report, they may consider alternative funding plans to bring their reserve sup to a healthy standard. The requirements to spend the funds from the CRF are still the same under section 96 of the Act are the same. Either a three quarters vote at a general meeting or an emergency can authorize the expense.

The second question is a bit more difficult. How do we pay for the depreciation report? If your strata corporation has not passed an annual three quarters vote to exempt itself from the requirement for a depreciation report the expense is going to be mandatory to proceed with the report, and any of the three options will be viable. A three quarters vote for either a CRF expense or a special levy approving the specific amount and purpose would suffice; however, strata corporations in addition to the depreciation report and the renewal every three years also have routine insurance appraisals and require additional consulting for legal services and engineering relating to many functions of a strata under the Act. The profile of annual budgets may change over the years, and a strata corporation may consider including a line item in their annual budget for consulting fees that would include any of those services. The only requirement that is necessary for the annual budget, is that the occurrence of the expense occurs at least once a year or more frequently. Line items do not have to be a constant value, and the requirement for depreciation, appraisals and legal services are all part of ongoing consulting services for every strata corporation. If you staggered the cost for the depreciation, the appraisals, update of the depreciation, a routine legal review of your bylaws and advice for collections and bylaw enforcement, and minimal engineering services as part of regular inspections and consulting, it is quite likely you would have a fairly predictable cost allocations in your annual budget. Many strata corporations often don't approve consulting fees for their strata councils to be able to retain professional services as part of their routine operations. A predictable allowance makes the prospects of being on council much easier for many owners to consider.
