Condominium Home Owners' Association
Serving BC's Strata Property Owners since 1976
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Condo Smarts
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Dear Condo Smarts: Our strata corporation is an 80 unit townhouse complex in the Fraser Valley that was built in groups of 8 over 10 phases. While they are generally the same appearance, the construction varies significantly, and obviously some were constructed in a time period prior to the sweeping building code changes around rain screen and others were constructed under much more stringent conditions. As a result, our strata corporation has maintained a very aggressive maintenance and repair approach for all of our units to ensure we are never faced with any disasters. Our annual budget includes sufficient funds to completely detail the sealants and painting of wood surfaces of each building group, as we have done since 1998. This has ensured our building exteriors are always thoroughly maintained at least once every eight years. Our depreciation planner has told us in their report that we cannot do it this way and that we need to put the building maintenance into the depreciation report and pay for it out of the contingency reserve fund. Their argument is that this is a capital expense; therefore, we have no choice. Isn't this the decision of the strata corporation? *Karen M. President of Council*

Dear Karen: There is a significant amount of information related to depreciation reports and consultants" that consumers need to be aware of. The consultants do not determine how strata corporations fund or manage their financial operations or repair programs. Your consultant is misinformed. The depreciation planning consultant has no authority to direct your strata corporation. They estimate and they may give recommendations. A strata corporation may decide to execute a maintenance plan for building systems that occurs once a year or more frequently, provided they have approved the maintenance program as part of the annual budget as in your case. By including this maintenance program in your budget, your owners have ensured that the scheduled servicing is not only funded, but that it is on a dedicated schedule. You will still maintain your reserve funds for the purpose of major renewals, such as roofing, balconies, exterior cladding, doors and windows, plumbing and electrical services, and all common property and common assets. How you report the component is not necessarily always consistent with how you pay for the cost. The maintenance of painting and sealants will still be reported in the depreciation report; however, the funding calculations may be reported from either the reserve fund or the operating budget depending on the decision of the corporation and historic practices. The role of the depreciation report consultant is to ensure that all of the common assets, common property and any joint or agreed upon liabilities are included in the depreciation report. If for some reason the strata corporation is including one of those assets into their annual budget, the report simply has to identify the asset and the type of maintenance or schedule and the location of it in the budget. Even though the strata corporation has developed a maintenance routine as part of the annual budget, it still requires that the exterior cladding, windows, soffits, decks and balconies will be identified in the depreciation report, and will estimate the condition of the asset and the remaining life and projected costs of the renewals. When the strata corporation receives the report, it is important to review all of the information within the report. The report should contain a wealth of information to assist with maintenance planning, annual budget planning and long term financial planning. Consultants are also advising strata corporations that they must choose a funding model. The minimum of 3 financial models are samples for your strata corporation to review when you consider your funding contributions each year. The strata corporation is not required to adopt any of them; however it is in your best interest to review the impact of financial planning and the next series of special levies facing your strata corporation. A special levy option may seem attractive as it defers cost, but defeated special levies are a significant cause of delayed repairs, resulting in much higher costs. Fund appropriately to reduce the impact on owners and to avoid delaying repairs and renewals.
