Condo Smarts
Headline:  Can we Change our Budget During the Year?
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Dear Tony: At our AGM last year in October, our strata passed a budget covering November 1st 2013 to October 31, 2014. We are now 7 months into our fiscal year and we are broke. We do not have enough money to cover our anticipated costs to the end November. We have spoken to several lawyers about how to resolve this problem and have been given mixed advice. One opinion has told us we can simply call a special general meeting and amend our budget during the year, another has told us we cannot amend the budget during the year and have to wait to fiscal year end to address the deficit. We are very confused and don’t understand how we can address this issues as we needs funds to pay routine operating bills.  

JJW Victoria

Dear JJW: The strata corporation must prepare an annual budget for the coming fiscal year that must be approved by a resolution passed by a majority vote at each annual general meeting. The Strata Property Act only gives 2 provisions for amending the budget. The first is at the annual meeting where the proposed annual budget, which includes the contingency reserve contribution for the fiscal year, may be amended by majority vote at the annual general meeting. The second option is the consideration to change the fiscal year. Under this consideration, the strata corporation is not amending the budget, but rather shortening or lengthening the current fiscal year period to introduce a new period for the fiscal year. If the strata corporation amends the fiscal year, they must pass a three quarters vote resolution at an annual or special general meeting for a period that is more than 6 months or less than 18 months. This does not solve your problem, because the shortened fiscal year will also coincide with a shorter period of payment of strata fees. The concept of amending the budget seems logical; however, it will contravene the disclosure of information in an Information Certificate (Form B) requested by an owner or their agent, and create a complicated situation for the strata corporation. Consider the implications of amending the budget during the year. It would conceivable imply that a strata corporation on proper notice, could essentially convene a general meeting almost monthly for the purpose of amending the budget. So what would be the point of proposing an annual budget?  I have heard the argument that the Act does not say you cannot do this; however, the Act does permit what is defined, and that is only an Annual Budget. If a strata corporation runs into a short fall during the year, they may convene a Special General Meeting to approve a special levy for extra funds, or a three quarters vote resolution to approve the expense of contingency funds. A frequent mistake that strata corporations commit is allocating an emergency expense to their operating budget, causing a significant shortfall. An emergency expense that requires immediate action to prevent loss or risk to property or owners may also be expended from the contingency fund to avoid this problem. The strata council should ensure that they have ratified the allocation of these expenses, and recorded the decisions in their council minutes to inform the owners.