

Strata Living

Headline: How do we approve fees?

Topic: Budgets

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Dear Tony: Our strata experienced a lot of confusion at our annual meeting last week. When we came to approving the budget, an owner advised that we approve the budget, then we are required by the Act to approve the strata fees. As a result, we ended approving the same strata fees as last year and will not raise enough money to cover our expenses this year. So what happens when we run out of money? We looked through the legislation and cannot find anything in the Act that explains this process.

JP Smythe Richmond

Dear JP: In calculating the strata fees, a strata corporation applies section 99 of the Strata property Act. The strata corporation must contribute by their strata lots' shares of the total contributions budgeted for the operating fund and contingency reserve contributions. This is a basic system. The strata council will issue a proposed budget for the next year in the notice package for the annual general meeting. The proposed budget will show all of the estimated expenses, and the contingency contribution for the following year, and that is the total amount the strata corporation will have to raise in revenue to pay for those expenses. It is possible that strata fees do not match that total amount, as the strata corporation may have other sources of revenue, such as: parking space rentals, operating interest, bylaw revenues, or a surplus carried over from the previous year. When you approve the operating budget, you are approving both the expenses and revenues at the same time. Those revenues will include the strata fees and there is no requirement to approve strata

fees as a separate motion. If you budget a deficit you will be creating a complicated problem because the Act requires that a deficit must be paid back within the next fiscal year in any case. If the strata corporation approves a budget that changes strata fees from the previous fiscal year, the strata corporation within 2 weeks of the AGM, must inform owners of any such changes. The other problem that is common in strata corporations, is the wrong formulas are frequently used in calculating fees. The formula prescribed by the Act is the schedule of unit entitlement, or any amendments filed in the Land Title Registry that were adopted by unanimous resolution of the strata corporation. The strata corporation does not have the right to "round out" or "simplify" values to make it easier to calculate fees. While a .01% error may only result in a 2 and half cent monthly difference of strata fees, the same error applied to a \$15,000 special levy could result in a \$150 error in calculations.

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