



Strata Plan BCS 2789 - Keystone
Depreciation Report
Cash Flow Summary
- Residential Section -
Scenario #2: Fully Funded
Increases Over 5 Years

G13-202

Final

Opening Balance of the Reserve Fund: \$22,628
Minimum Desired Reserve Fund Balance: \$40,000
Assumed Annual Interest Rate for Interest Earned: 2.00%
Assumed Inflation: 3.00%
Initial Contribution Increment: 15.60%
Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$22,628	\$7,602	\$0	\$463	N/A	\$30,510	Critical Year #1
2014	\$30,510	\$12,145	\$0	\$610	N/A	\$43,265	
2015	\$43,265	\$14,040	\$0	\$865	15.60%	\$58,170	
2016	\$50,170	\$16,230	\$0	\$1,163	15.60%	\$75,663	
2017	\$75,663	\$18,762	\$0	\$1,511	15.60%	\$95,838	
2018	\$95,838	\$21,688	-\$17,389	\$1,917	15.60%	\$102,052	
2019	\$102,052	\$22,339	-\$20,851	\$2,041	3.00%	\$96,581	
2020	\$96,581	\$23,009	-\$34,436	\$1,932	3.00%	\$87,085	
2021	\$87,085	\$23,700	\$0	\$1,742	3.00%	\$112,526	
2022	\$112,526	\$24,411	\$0	\$2,251	3.00%	\$139,188	
2023	\$139,188	\$25,143	-\$14,783	\$2,784	3.00%	\$152,331	Critical Year #2
2024	\$152,331	\$25,897	\$0	\$3,047	3.00%	\$181,275	
2025	\$181,275	\$26,674	-\$35,844	\$3,825	3.00%	\$175,930	
2026	\$175,930	\$27,474	\$0	\$3,519	3.00%	\$208,923	
2027	\$208,923	\$28,299	\$0	\$4,138	3.00%	\$239,360	
2028	\$239,360	\$29,147	-\$119,863	\$4,787	3.00%	\$163,332	
2029	\$163,332	\$30,022	\$0	\$3,067	3.00%	\$186,420	
2030	\$186,420	\$30,923	\$0	\$3,728	3.00%	\$221,071	
2031	\$221,071	\$31,850	-\$42,581	\$4,421	3.00%	\$214,782	
2032	\$214,782	\$32,806	\$0	\$4,298	3.00%	\$261,883	
2033	\$261,883	\$33,790	-\$149,807	\$5,038	3.00%	\$140,804	Critical Year #2
2034	\$140,804	\$34,804	\$0	\$2,816	3.00%	\$178,423	
2035	\$178,423	\$35,848	\$0	\$3,568	3.00%	\$217,840	
2036	\$217,840	\$36,923	\$0	\$4,357	3.00%	\$259,119	
2037	\$259,119	\$38,031	-\$50,820	\$5,182	3.00%	\$251,513	
2038	\$251,513	\$39,172	-\$211,472	\$5,030	3.00%	\$84,243	
2039	\$84,243	\$40,347	\$0	\$1,685	3.00%	\$126,275	
2040	\$126,275	\$41,557	-\$62,196	\$2,526	3.00%	\$108,162	
2041	\$108,162	\$42,804	\$0	\$2,163	3.00%	\$153,120	
2042	\$153,120	\$44,088	\$0	\$3,083	3.00%	\$200,280	

** Refers to the increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.



Strata Plan BCS 2789 - Keystone
Depreciation Report
Cash Flow Summary
- Residential Section -
Scenario #3: Fully Funded
Increases Over 15 Years

G13-202

Final

RECOMMENDED

Opening Balance of the Reserve Fund: \$22,828
Minimum Desired Reserve Fund Balance: \$40,000
Assumed Annual Interest Rate for Interest Earned: 2.00%
Assumed Inflation: 3.00%
Initial Contribution Increment: 7.05%
Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$22,828	\$7,602	\$0	\$463	N/A	\$30,510	Critical Year #1
2014	\$30,510	\$12,145	\$0	\$610	N/A	\$43,265	
2015	\$43,265	\$13,001	\$0	\$865	7.05%	\$57,131	
2016	\$57,131	\$13,918	\$0	\$1,143	7.05%	\$72,192	
2017	\$72,192	\$14,899	\$0	\$1,444	7.05%	\$88,535	
2018	\$88,535	\$15,949	-\$17,389	\$1,771	7.05%	\$88,866	
2019	\$88,866	\$17,074	-\$29,851	\$1,777	7.05%	\$77,865	
2020	\$77,865	\$18,276	-\$34,438	\$1,557	7.05%	\$63,264	
2021	\$63,264	\$19,566	\$0	\$1,265	7.05%	\$84,095	
2022	\$84,095	\$20,946	\$0	\$1,682	7.05%	\$108,723	
2023	\$108,723	\$22,422	-\$14,783	\$2,134	7.05%	\$118,496	
2024	\$118,496	\$24,003	\$0	\$2,330	7.05%	\$142,828	
2025	\$142,828	\$25,695	-\$35,844	\$2,857	7.05%	\$135,737	
2026	\$135,737	\$27,507	\$0	\$2,716	7.05%	\$165,958	
2027	\$165,958	\$29,446	\$0	\$3,319	7.05%	\$198,723	
2028	\$198,723	\$31,522	-\$119,963	\$3,874	7.05%	\$114,266	Critical Year #2
2029	\$114,266	\$33,744	\$0	\$2,285	7.05%	\$150,285	
2030	\$150,285	\$34,758	\$0	\$3,006	3.00%	\$188,047	
2031	\$188,047	\$36,790	-\$12,561	\$3,761	3.00%	\$185,040	
2032	\$185,040	\$38,873	\$0	\$3,701	3.00%	\$225,620	
2033	\$225,620	\$37,079	-\$149,807	\$4,512	3.00%	\$118,205	
2034	\$118,205	\$39,119	\$0	\$2,364	3.00%	\$159,687	
2035	\$159,687	\$40,292	\$0	\$3,184	3.00%	\$203,173	
2036	\$203,173	\$41,501	\$0	\$4,063	3.00%	\$248,738	
2037	\$248,738	\$42,746	-\$60,820	\$4,975	3.00%	\$245,639	
2038	\$245,639	\$44,028	-\$211,472	\$4,913	3.00%	\$83,108	
2039	\$83,108	\$45,349	\$0	\$1,682	3.00%	\$130,120	
2040	\$130,120	\$46,710	-\$62,198	\$2,002	3.00%	\$117,236	
2041	\$117,236	\$48,111	\$0	\$2,345	3.00%	\$167,891	
2042	\$167,891	\$49,554	\$0	\$3,354	3.00%	\$220,600	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

Strata Plan BCS 2709 - Keystone
Depreciation Report
Cash Flow Summary
- Residential Section -
Scenario #4: Minimum Contributions
Increases Indexed to Inflation

G13-202

Final

Opening Balance of the Reserve Fund: \$22,628
Minimum Desired Reserve Fund Balance: \$40,000
Assumed Annual Interest Rate for Interest Earned: 2.00%

Assumed Inflation: 3.00%
Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Special Levy	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$22,628	\$7,602	\$0	\$453	\$0	N/A	\$30,683	
2014	\$30,510	\$12,145	\$0	\$610	\$0	N/A	\$43,265	
2015	\$43,265	\$7,602	\$0	\$865	\$0	-37.40%	\$51,733	
2016	\$51,733	\$7,830	\$0	\$1,035	\$0	3.00%	\$60,598	
2017	\$60,598	\$8,065	\$0	\$1,212	\$0	3.00%	\$69,875	
2018	\$69,875	\$8,307	-\$17,389	\$1,398	\$0	3.00%	\$62,191	
2019	\$62,191	\$8,557	-\$20,851	\$1,244	\$0	3.00%	\$42,140	
2020	\$42,140	\$8,813	-\$34,436	\$843	\$0	3.00%	\$17,350	
2021	\$17,359	\$9,078	\$0	\$347	\$0	3.00%	\$26,784	
2022	\$26,784	\$9,350	\$0	\$530	\$0	3.00%	\$36,670	
2023	\$36,670	\$9,630	-\$14,783	\$733	\$0	3.00%	\$32,251	
2024	\$32,251	\$9,919	\$0	\$845	\$0	3.00%	\$42,815	
2025	\$42,815	\$10,217	-\$35,644	\$850	\$0	3.00%	\$18,244	
2026	\$18,244	\$10,523	\$0	\$385	\$0	3.00%	\$29,132	
2027	\$29,132	\$10,839	\$0	\$583	\$0	3.00%	\$40,554	
2028	\$40,554	\$11,164	-\$119,863	\$811	\$70,000	3.00%	\$2,586	
2029	\$2,586	\$11,499	\$0	\$51	\$0	3.00%	\$14,117	
2030	\$14,117	\$11,844	\$0	\$282	\$0	3.00%	\$26,243	
2031	\$26,243	\$12,200	-\$42,581	\$525	\$5,000	3.00%	\$1,407	
2032	\$1,407	\$12,566	\$0	\$28	\$0	3.00%	\$14,000	
2033	\$14,000	\$12,942	-\$149,907	\$280	\$125,000	3.00%	\$2,316	
2034	\$2,316	\$13,331	\$0	\$46	\$0	3.00%	\$15,693	
2035	\$15,693	\$13,731	\$0	\$314	\$0	3.00%	\$29,737	
2036	\$29,737	\$14,143	\$0	\$585	\$0	3.00%	\$44,475	
2037	\$44,475	\$14,567	-\$50,820	\$889	\$0	3.00%	\$9,111	
2038	\$9,111	\$15,004	-\$211,472	\$182	\$190,000	3.00%	\$2,826	
2039	\$2,826	\$15,454	\$0	\$57	\$0	3.00%	\$18,336	
2040	\$18,336	\$15,918	-\$62,196	\$367	\$30,000	3.00%	\$2,425	
2041	\$2,425	\$16,395	\$0	\$48	\$0	3.00%	\$18,888	
2042	\$18,888	\$16,887	\$0	\$377	\$0	3.00%	\$36,133	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

Opening Balance of the Reserve Fund: \$22,628

Minimum Desired Reserve Fund Balance: \$40,000

 Assumed Inflation: 3.00%
 Initial Contribution Increment: 31.50%

Assumed Annual Interest Rate for Interest Earned: 2.00%

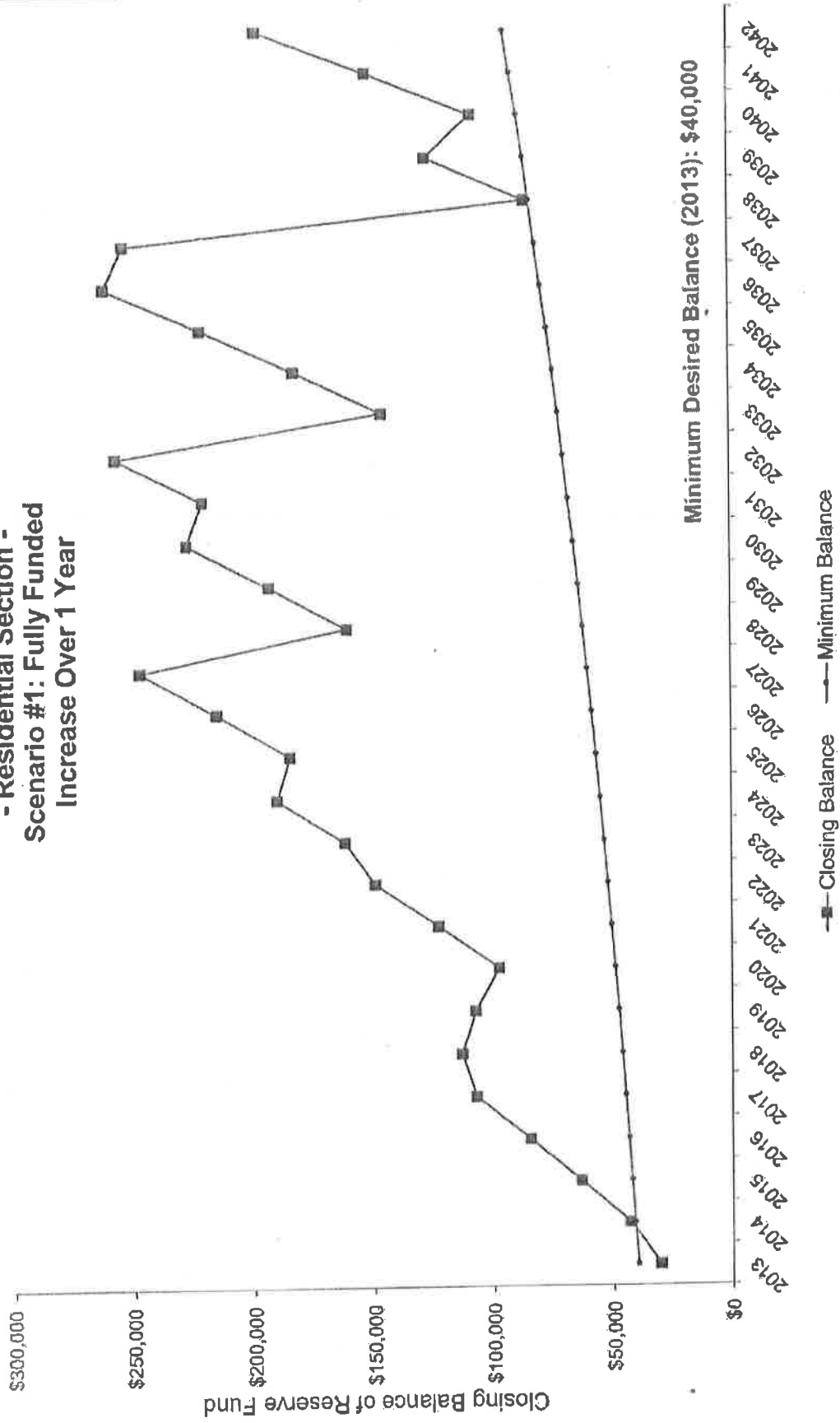
Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Special Levy	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$22,628	\$7,602	\$0	\$453	\$0	N/A	\$30,683	
2014	\$30,510	\$12,145	\$0	\$610	\$0	N/A	\$43,265	
2015	\$43,265	\$16,971	\$0	\$865	\$0	31.50%	\$60,101	
2016	\$60,101	\$16,450	\$0	\$1,202	\$0	3.00%	\$77,753	
2017	\$77,753	\$16,943	\$0	\$1,555	\$0	3.00%	\$96,251	
2018	\$96,251	\$17,162	-\$17,389	\$1,925	\$0	3.00%	\$98,239	
2019	\$98,239	\$17,975	-\$20,851	\$1,965	\$0	3.00%	\$80,327	
2020	\$80,327	\$18,514	-\$34,430	\$1,767	\$0	3.00%	\$74,172	
2021	\$74,172	\$19,070	\$0	\$1,483	\$0	3.00%	\$94,725	
2022	\$94,725	\$19,642	\$0	\$1,895	\$0	3.00%	\$116,262	
2023	\$116,262	\$20,231	-\$14,783	\$2,325	\$0	3.00%	\$124,035	
2024	\$124,035	\$20,838	\$0	\$2,481	\$0	3.00%	\$147,354	
2025	\$147,354	\$21,463	-\$35,644	\$2,947	\$0	3.00%	\$136,120	
2026	\$136,120	\$22,107	\$0	\$2,722	\$0	3.00%	\$160,950	
2027	\$160,950	\$22,770	\$0	\$3,219	\$0	3.00%	\$186,939	
2028	\$186,939	\$23,453	-\$119,963	\$3,739	\$0	3.00%	\$94,198	
2029	\$94,198	\$24,157	\$0	\$1,003	\$0	3.00%	\$120,208	
2030	\$120,208	\$24,882	\$0	\$2,404	\$0	3.00%	\$147,484	
2031	\$147,484	\$25,628	-\$42,561	\$2,950	\$0	3.00%	\$133,511	
2032	\$133,511	\$26,397	\$0	\$2,670	\$0	3.00%	\$162,579	
2033	\$162,579	\$27,189	-\$149,907	\$3,252	\$0	3.00%	\$43,112	
2034	\$43,112	\$28,005	\$0	\$862	\$0	3.00%	\$71,979	
2035	\$71,979	\$28,845	\$0	\$1,440	\$0	3.00%	\$102,263	
2036	\$102,263	\$29,710	\$0	\$2,046	\$0	3.00%	\$134,019	
2037	\$134,019	\$30,601	-\$50,820	\$2,680	\$0	3.00%	\$116,481	
2038	\$116,481	\$31,520	-\$211,472	\$2,330	\$105,000	3.00%	\$43,850	Critical Year #1
2039	\$43,850	\$32,466	\$0	\$877	\$0	3.00%	\$77,201	
2040	\$77,201	\$33,439	-\$62,196	\$1,544	\$0	3.00%	\$49,988	
2041	\$49,988	\$34,442	\$0	\$1,000	\$0	3.00%	\$85,430	
2042	\$85,430	\$35,475	\$0	\$1,709	\$0	3.00%	\$122,614	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

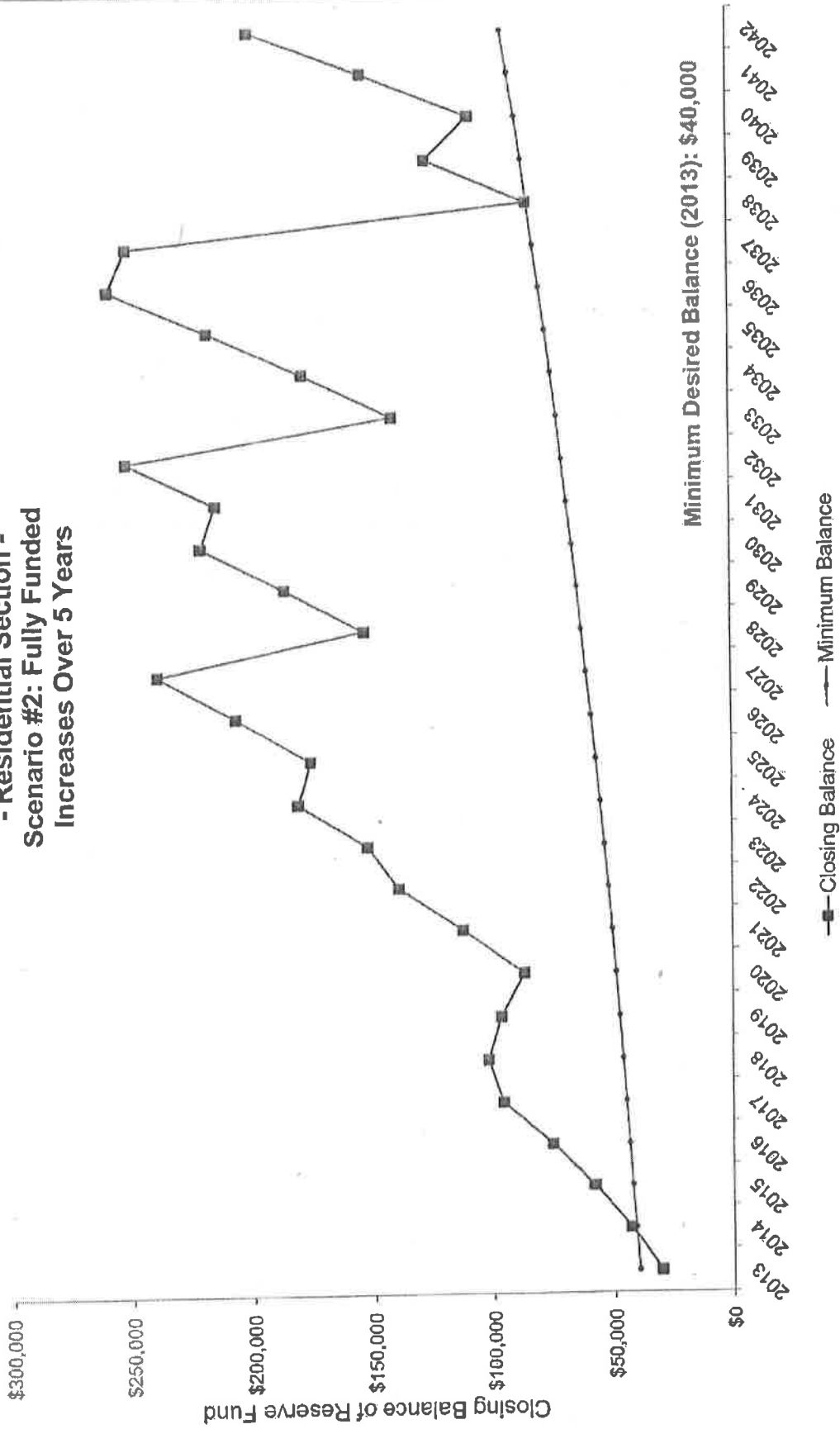
Annual Contingency Reserve Fund Balance :

**Strata Plan BCS 2789 - Keystone
- Residential Section -
Scenario #1: Fully Funded
Increase Over 1 Year**



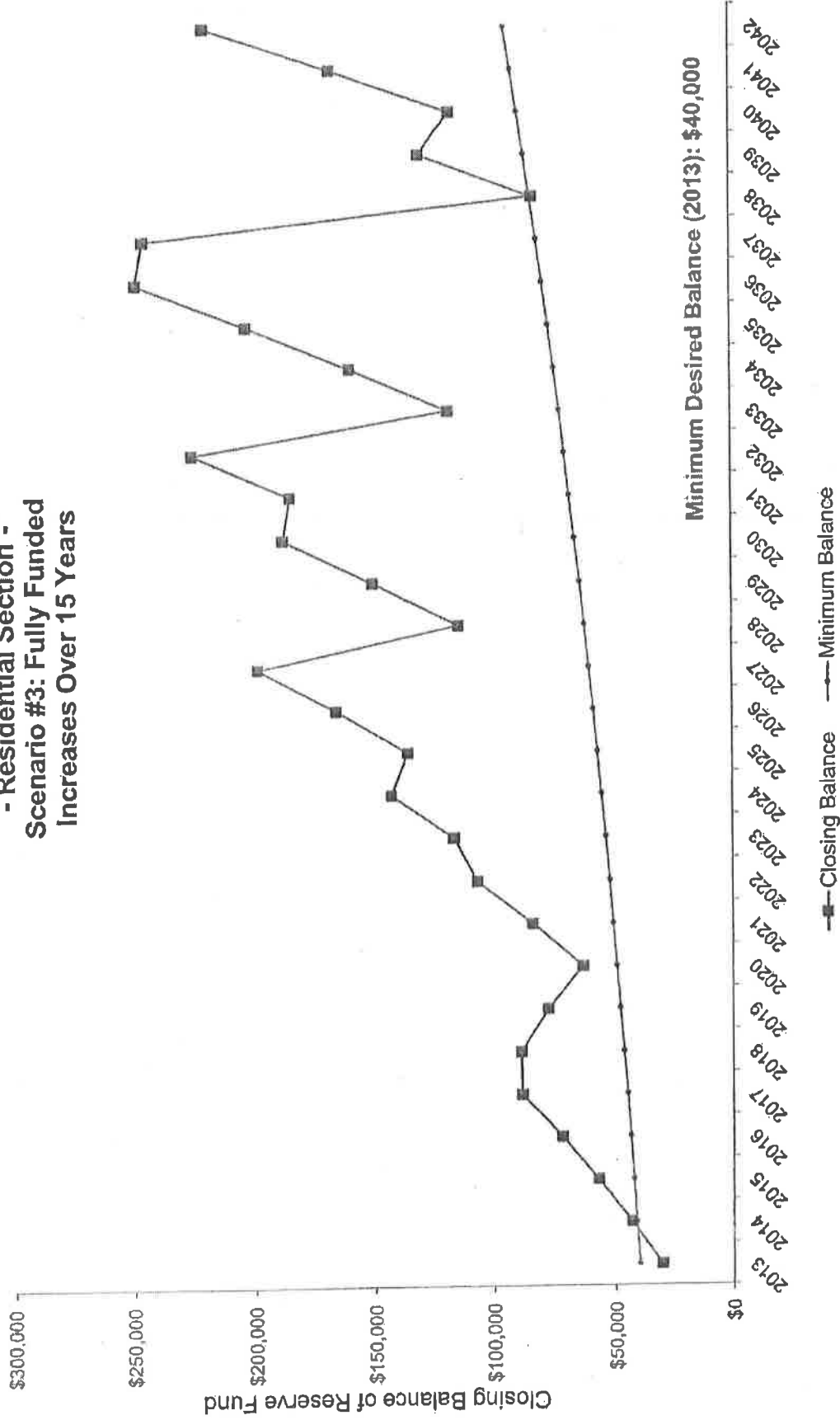
Annual Contingency Reserve Fund Balance :

**Strata Plan BCS 2789 - Keystone
- Residential Section -
Scenario #2: Fully Funded
Increases Over 5 Years**



Annual Contingency Reserve Fund Balance :

Strata Plan BCS 2789 - Keystone
- Residential Section -
Scenario #3: Fully Funded
Increases Over 15 Years

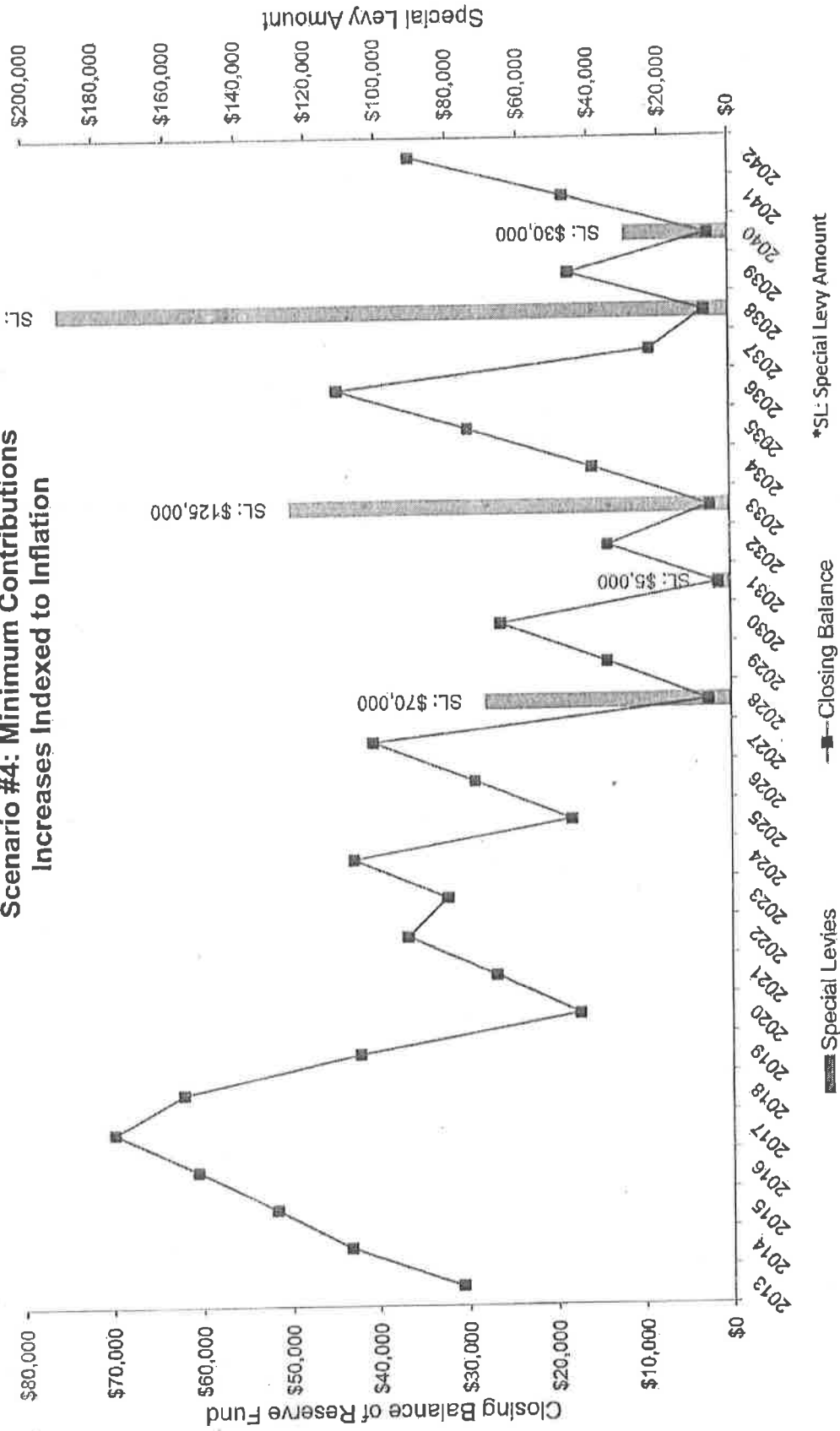


Minimum Desired Balance (2013): \$40,000

■ Closing Balance --- Minimum Balance

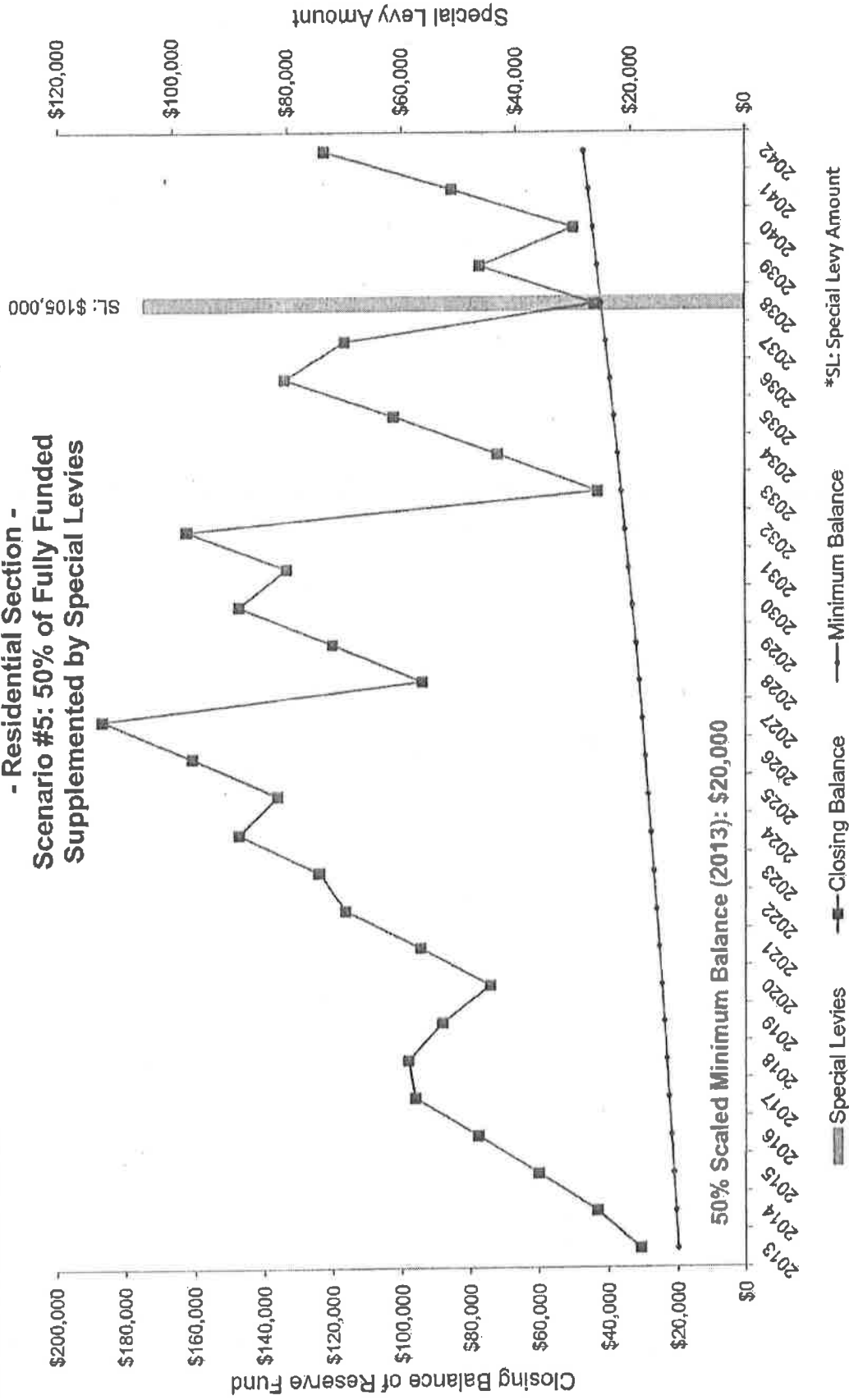
Annual Contingency Reserve Fund Balance :

**Strata Plan BCS 2789 - Keystone
- Residential Section -
Scenario #4: Minimum Contributions
Increases Indexed to Inflation**

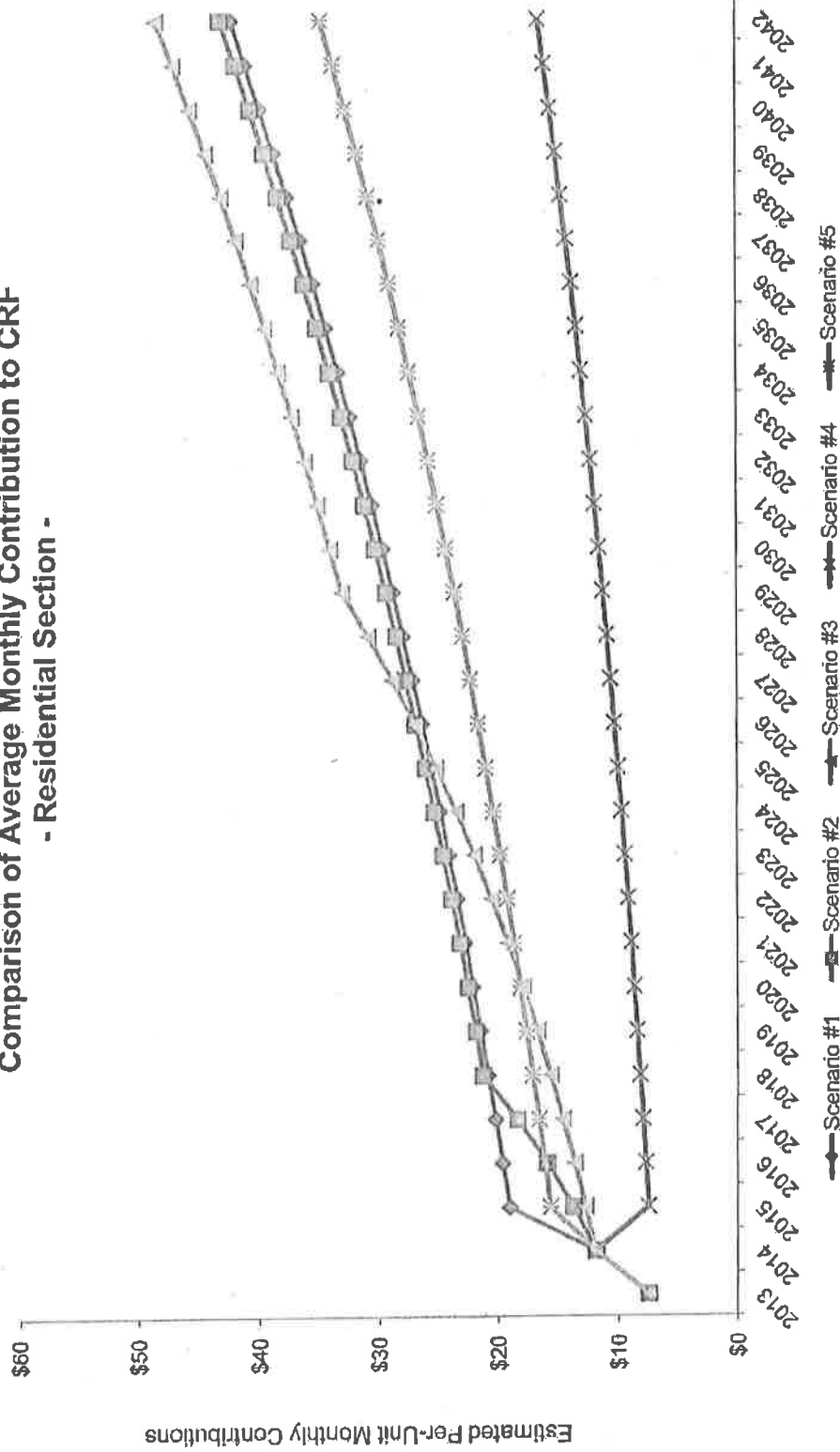


Annual Contingency Reserve Fund Balance :

Strata Plan BCS 2789 - Keystone
- Residential Section -
Scenario #5: 50% of Fully Funded
Supplemented by Special Levies



**Contingency Reserve Fund :
Strata Plan BCS 2789 - Keystone
Comparison of Average Monthly Contribution to CRF
- Residential Section -**



Note: Monthly contributions shown are based on an average residential unit entitlement of 96.
Consult management for further information relating to a specific suite or unit.

SPRATT EMANUEL ENGINEERING LTD.

CONTINGENCY RESERVE FUND STUDY/
DEPRECIATION REPORT

Our File No. G13-202
November 30, 2013

STRATA PLAN BCS 2789 – KEYSTONE
12350 HARRIS ROAD, PITT MEADOWS, B.C.

APPENDIX D:

Commercial Section – Financial Scenarios and Graphs



**Strata Plan BCS 2789 - Keystone
Depreciation Report
Cash Flow Summary
- Commercial Section -
Scenario #1: Fully Funded
Increase Over 1 Year**

G13-202

Final

Opening Balance of the Reserve Fund: \$1,310
 Minimum Desired Reserve Fund Balance: \$10,000
 Assumed Annual Interest Rate for Interest Earned: 2.00%
 Assumed Inflation: 3.00%
 Initial Contribution Increment: 260.00%
 Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$1,310	\$1,046	\$0	\$26	N/A	\$2,374	
2014	\$2,374	\$824	\$0	\$47	N/A	\$3,246	Critical Year #1
2015	\$3,246	\$2,968	\$0	\$66	260.00%	\$6,277	Critical Year #2
2016	\$6,277	\$3,058	\$0	\$126	3.00%	\$9,468	Critical Year #3
2017	\$9,468	\$3,147	\$0	\$189	3.00%	\$12,795	
2018	\$12,795	\$3,242	-\$8,115	\$268	3.00%	\$8,177	Critical Year #4
2019	\$8,177	\$3,339	\$0	\$184	3.00%	\$11,679	Critical Year #5
2020	\$11,679	\$3,439	\$0	\$234	3.00%	\$15,352	
2021	\$15,352	\$3,542	\$0	\$307	3.00%	\$19,201	
2022	\$19,201	\$3,648	\$0	\$384	3.00%	\$23,233	
2023	\$23,233	\$3,758	\$0	\$465	3.00%	\$27,458	
2024	\$27,458	\$3,871	\$0	\$549	3.00%	\$31,876	
2025	\$31,876	\$3,987	\$0	\$638	3.00%	\$36,500	
2026	\$36,500	\$4,106	\$0	\$730	3.00%	\$41,336	
2027	\$41,336	\$4,229	\$0	\$827	3.00%	\$46,392	
2028	\$46,392	\$4,356	-\$10,908	\$928	3.00%	\$40,771	
2029	\$40,771	\$4,487	\$0	\$915	3.00%	\$46,073	
2030	\$46,073	\$4,622	\$0	\$921	3.00%	\$51,616	
2031	\$51,616	\$4,760	\$0	\$1,032	3.00%	\$57,409	
2032	\$57,409	\$4,903	\$0	\$1,148	3.00%	\$63,480	
2033	\$63,480	\$5,050	-\$54,183	\$1,269	3.00%	\$15,588	Critical Year #6
2034	\$15,588	\$5,202	\$0	\$312	3.00%	\$21,110	
2035	\$21,110	\$5,358	\$0	\$422	3.00%	\$26,890	
2036	\$26,890	\$5,519	\$0	\$538	3.00%	\$32,946	
2037	\$32,946	\$5,684	\$0	\$659	3.00%	\$39,289	
2038	\$39,289	\$5,855	-\$14,658	\$786	3.00%	\$31,273	
2039	\$31,273	\$6,030	\$0	\$925	3.00%	\$37,929	
2040	\$37,929	\$6,211	\$0	\$769	3.00%	\$44,899	
2041	\$44,899	\$6,397	\$0	\$898	3.00%	\$52,194	
2042	\$52,194	\$6,589	\$0	\$1,044	3.00%	\$59,827	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

Strata Plan BCS 2780 - Keystone
Depreciation Report
Cash Flow Summary
- Commercial Section -
Scenario #2: Fully Funded
Increases Over 5 Years

G13-202

Final

Opening Balance of the Reserve Fund: \$1,310
Minimum Desired Reserve Fund Balance: \$10,000
Assumed Annual Interest Rate for Interest Earned: 2.00%
Assumed Inflation: 3.00%
Initial Contribution Increment: 36.00%
Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$1,310	\$1,046	\$0	\$26	N/A	\$2,382	
2014	\$2,374	\$824	\$0	\$48	N/A	\$3,246	Critical Year #1
2015	\$3,246	\$1,121	\$0	\$65	36.00%	\$4,432	Critical Year #2
2016	\$4,432	\$1,524	\$0	\$89	36.00%	\$6,044	Critical Year #3
2017	\$6,044	\$2,073	\$0	\$121	36.00%	\$8,238	Critical Year #4
2018	\$8,238	\$2,019	-\$8,115	\$185	36.00%	\$3,107	Critical Year #5
2019	\$3,107	\$3,834	\$0	\$82	36.00%	\$7,003	Critical Year #6
2020	\$7,003	\$3,948	\$0	\$140	3.00%	\$11,002	Critical Year #7
2021	\$11,002	\$4,067	\$0	\$222	3.00%	\$15,381	
2022	\$15,381	\$4,188	\$0	\$308	3.00%	\$19,878	
2023	\$19,878	\$4,315	\$0	\$398	3.00%	\$24,590	
2024	\$24,590	\$4,444	\$0	\$492	3.00%	\$29,527	
2025	\$29,527	\$4,578	\$0	\$591	3.00%	\$34,695	
2026	\$34,695	\$4,715	\$0	\$694	3.00%	\$40,104	
2027	\$40,104	\$4,857	\$0	\$802	3.00%	\$45,763	
2028	\$45,763	\$5,002	-\$10,906	\$915	3.00%	\$40,774	
2029	\$40,774	\$5,152	\$0	\$815	3.00%	\$48,742	
2030	\$48,742	\$5,307	\$0	\$935	3.00%	\$52,984	
2031	\$52,984	\$5,466	\$0	\$1,080	3.00%	\$59,510	
2032	\$59,510	\$5,630	\$0	\$1,190	3.00%	\$66,330	
2033	\$66,330	\$5,799	-\$54,183	\$1,327	3.00%	\$19,272	Critical Year #8
2034	\$19,272	\$5,973	\$0	\$385	3.00%	\$25,631	
2035	\$25,631	\$6,162	\$0	\$513	3.00%	\$32,295	
2036	\$32,295	\$6,337	\$0	\$640	3.00%	\$39,278	
2037	\$39,278	\$6,527	\$0	\$788	3.00%	\$46,590	
2038	\$46,590	\$6,723	-\$14,656	\$932	3.00%	\$39,588	
2039	\$39,588	\$6,924	\$0	\$702	3.00%	\$47,305	
2040	\$47,305	\$7,132	\$0	\$948	3.00%	\$55,383	
2041	\$55,383	\$7,346	\$0	\$1,108	3.00%	\$63,836	
2042	\$63,836	\$7,566	\$0	\$1,277	3.00%	\$72,879	

** Refers to the increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.



**Strata Plan BCS 2789 - Keystone
Depreciation Report
Cash Flow Summary
- Commercial Section -
Scenario #3: Fully Funded
Increases Over 10 Years**

G13-202

Final

RECOMMENDED

Opening Balance of the Reserve Fund: \$1,310
 Minimum Desired Reserve Fund Balance: \$10,000
 Assumed Annual Interest Rate for Interest Earned: 2.00%
 Assumed Inflation: 3.00%
 Initial Contribution Increment: 21.65%
 Final Contribution Increment: 3.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$1,310	\$1,046	\$0	\$26	N/A	\$2,382	
2014	\$2,374	\$624	\$0	\$48	N/A	\$3,248	Critical Year #1
2015	\$3,246	\$1,002	\$0	\$65	21.65%	\$4,313	Critical Year #2
2016	\$4,313	\$1,219	\$0	\$86	21.65%	\$5,619	Critical Year #3
2017	\$5,619	\$1,483	\$0	\$112	21.65%	\$7,215	Critical Year #4
2018	\$7,215	\$1,805	-\$8,115	\$144	21.65%	\$1,049	Critical Year #5
2019	\$1,049	\$2,195	\$0	\$21	21.65%	\$3,265	Critical Year #6
2020	\$3,265	\$2,671	\$0	\$65	21.65%	\$8,001	Critical Year #7
2021	\$6,001	\$3,249	\$0	\$120	21.65%	\$9,370	Critical Year #8
2022	\$9,370	\$3,952	\$0	\$187	21.65%	\$13,509	Critical Year #9
2023	\$13,509	\$4,808	\$0	\$270	21.65%	\$18,587	
2024	\$18,587	\$4,852	\$0	\$372	3.00%	\$23,911	
2025	\$23,911	\$5,101	\$0	\$478	3.00%	\$29,490	
2026	\$29,490	\$5,254	\$0	\$590	3.00%	\$35,333	
2027	\$35,333	\$5,411	\$0	\$707	3.00%	\$41,461	
2028	\$41,461	\$5,574	-\$10,906	\$829	3.00%	\$36,948	
2029	\$36,948	\$5,741	\$0	\$739	3.00%	\$43,428	
2030	\$43,428	\$5,913	\$0	\$809	3.00%	\$50,209	
2031	\$50,209	\$6,090	\$0	\$1,004	3.00%	\$57,304	
2032	\$57,304	\$6,273	\$0	\$1,148	3.00%	\$64,723	
2033	\$64,723	\$6,461	-\$54,183	\$1,294	3.00%	\$18,286	Critical Year #10
2034	\$18,286	\$6,655	\$0	\$366	3.00%	\$25,317	
2035	\$25,317	\$6,855	\$0	\$506	3.00%	\$32,678	
2036	\$32,678	\$7,060	\$0	\$654	3.00%	\$40,392	
2037	\$40,392	\$7,272	\$0	\$808	3.00%	\$48,472	
2038	\$48,472	\$7,490	-\$14,658	\$869	3.00%	\$42,275	
2039	\$42,275	\$7,715	\$0	\$846	3.00%	\$50,830	
2040	\$50,830	\$7,947	\$0	\$1,017	3.00%	\$59,799	
2041	\$59,799	\$8,185	\$0	\$1,196	3.00%	\$69,180	
2042	\$69,180	\$8,431	\$0	\$1,384	3.00%	\$78,994	

** Refers to the increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

Opening Balance of the Reserve Fund: \$1,310
 Minimum Desired Reserve Fund Balance: \$10,000

Assumed Inflation: 3.00%
 Contribution Increment: 3.00%

Assumed Annual Interest Rate for Interest Earned: 2.00%

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Special Levy	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$1,310	\$1,046	\$0	\$26	\$0	N/A	\$2,382	
2014	\$2,374	\$024	\$0	\$48	\$0	N/A	\$3,246	
2015	\$3,246	\$1,046	\$0	\$65	\$0	28.97%	\$4,357	
2016	\$4,357	\$1,078	\$0	\$87	\$0	3.00%	\$5,522	
2017	\$5,522	\$1,110	\$0	\$110	\$0	3.00%	\$6,742	
2018	\$6,742	\$1,143	-\$8,115	\$135	\$5,000	3.00%	\$4,906	
2019	\$4,906	\$1,178	\$0	\$98	\$0	3.00%	\$6,181	
2020	\$6,181	\$1,213	\$0	\$124	\$0	3.00%	\$7,518	
2021	\$7,518	\$1,249	\$0	\$150	\$0	3.00%	\$8,917	
2022	\$8,917	\$1,287	\$0	\$178	\$0	3.00%	\$10,382	
2023	\$10,382	\$1,325	\$0	\$208	\$0	3.00%	\$11,815	
2024	\$11,815	\$1,365	\$0	\$238	\$0	3.00%	\$13,510	
2025	\$13,510	\$1,406	\$0	\$270	\$0	3.00%	\$15,195	
2026	\$15,195	\$1,448	\$0	\$304	\$0	3.00%	\$16,947	
2027	\$16,947	\$1,492	\$0	\$339	\$0	3.00%	\$18,778	
2028	\$18,778	\$1,536	-\$10,900	\$376	\$0	3.00%	\$9,784	
2029	\$9,784	\$1,583	\$0	\$186	\$0	3.00%	\$11,563	
2030	\$11,563	\$1,630	\$0	\$231	\$0	3.00%	\$13,424	
2031	\$13,424	\$1,679	\$0	\$268	\$0	3.00%	\$15,371	
2032	\$15,371	\$1,729	\$0	\$307	\$0	3.00%	\$17,408	
2033	\$17,408	\$1,781	-\$54,183	\$348	\$35,000	3.00%	\$354	
2034	\$354	\$1,835	\$0	\$7	\$0	3.00%	\$2,196	
2035	\$2,196	\$1,890	\$0	\$44	\$0	3.00%	\$4,129	
2036	\$4,129	\$1,948	\$0	\$83	\$0	3.00%	\$6,158	
2037	\$6,158	\$2,005	\$0	\$123	\$0	3.00%	\$8,286	
2038	\$8,286	\$2,065	-\$14,658	\$168	\$5,000	3.00%	\$860	
2039	\$860	\$2,127	\$0	\$17	\$0	3.00%	\$3,004	
2040	\$3,004	\$2,191	\$0	\$60	\$0	3.00%	\$5,255	
2041	\$5,255	\$2,258	\$0	\$105	\$0	3.00%	\$7,616	
2042	\$7,616	\$2,324	\$0	\$152	\$0	3.00%	\$10,092	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.



**Sirata Plan BCS 2789 - Keystone
Depreciation Report
Cash Flow Summary
- Commercial Section -
Scenario #5: 50% of Fully Funded
Supplemented by Special Levies**

G13-202

Final

Opening Balance of the Reserve Fund: **\$1,310**
Minimum Desired Reserve Fund Balance: **\$10,000**

Assumed Inflation: **3.00%**
Initial Contribution Increment: **131.50%**

Assumed Annual Interest Rate for Interest Earned: **2.00%**

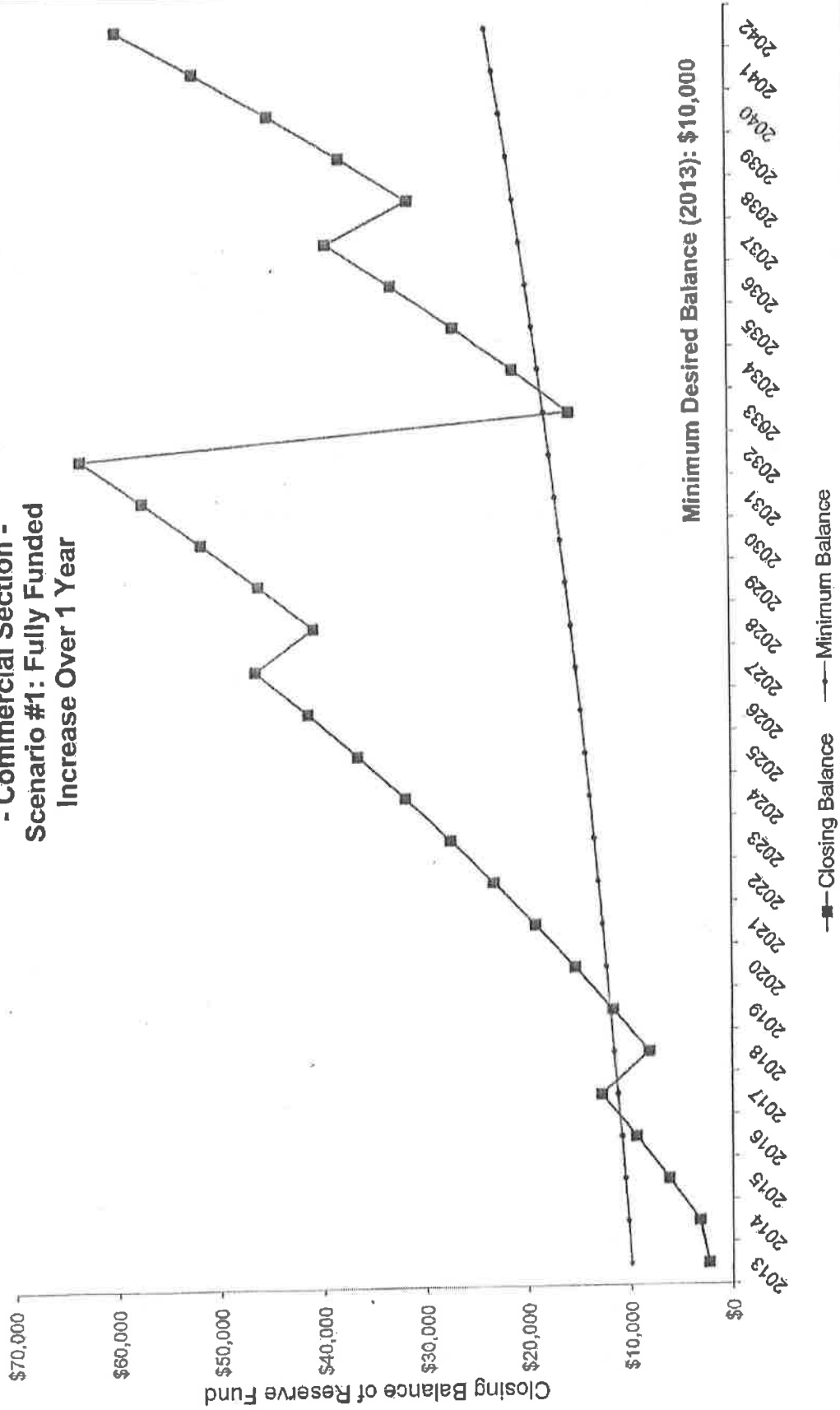
Final Contribution Increment: **3.00%**

Year	Opening Balance	Recommended Annual Contribution	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Special Levy	Percentage Increase in Recommended Annual Contribution**	Closing Balance	Comments
2013	\$1,310	\$1,046	\$0	\$26	\$0	N/A	\$2,382	
2014	\$2,374	\$824	\$0	\$48	\$5,000	N/A	\$8,246	
2015	\$8,246	\$1,908	\$0	\$165	\$0	131.50%	\$10,319	
2016	\$10,319	\$1,965	\$0	\$205	\$0	3.00%	\$12,490	
2017	\$12,490	\$2,024	\$0	\$250	\$0	3.00%	\$14,763	
2018	\$14,763	\$2,084	-\$8,115	\$295	\$0	3.00%	\$9,020	
2019	\$9,020	\$2,147	\$0	\$181	\$0	3.00%	\$11,356	
2020	\$11,356	\$2,211	\$0	\$227	\$0	3.00%	\$13,794	
2021	\$13,794	\$2,278	\$0	\$276	\$0	3.00%	\$16,348	
2022	\$16,348	\$2,346	\$0	\$327	\$0	3.00%	\$19,021	
2023	\$19,021	\$2,410	\$0	\$380	\$0	3.00%	\$21,818	
2024	\$21,818	\$2,489	\$0	\$436	\$0	3.00%	\$24,743	
2025	\$24,743	\$2,564	\$0	\$495	\$0	3.00%	\$27,802	
2026	\$27,802	\$2,641	\$0	\$558	\$0	3.00%	\$30,998	
2027	\$30,998	\$2,720	\$0	\$620	\$0	3.00%	\$34,338	
2028	\$34,338	\$2,801	-\$10,908	\$687	\$0	3.00%	\$26,921	
2029	\$26,921	\$2,885	\$0	\$538	\$0	3.00%	\$30,344	
2030	\$30,344	\$2,972	\$0	\$607	\$0	3.00%	\$33,923	
2031	\$33,923	\$3,061	\$0	\$678	\$0	3.00%	\$37,663	
2032	\$37,663	\$3,153	\$0	\$753	\$0	3.00%	\$41,569	
2033	\$41,569	\$3,248	-\$54,183	\$831	\$20,000	3.00%	\$11,465	
2034	\$11,465	\$3,345	\$0	\$229	\$0	3.00%	\$15,039	
2035	\$15,039	\$3,446	\$0	\$301	\$0	3.00%	\$18,785	
2036	\$18,785	\$3,549	\$0	\$376	\$0	3.00%	\$22,710	
2037	\$22,710	\$3,655	\$0	\$454	\$0	3.00%	\$26,819	
2038	\$26,819	\$3,765	-\$14,650	\$536	\$0	3.00%	\$16,464	
2039	\$16,464	\$3,878	\$0	\$329	\$0	3.00%	\$20,071	
2040	\$20,071	\$3,994	\$0	\$413	\$0	3.00%	\$25,078	
2041	\$25,078	\$4,114	\$0	\$502	\$0	3.00%	\$29,894	
2042	\$29,894	\$4,237	\$0	\$594	\$0	3.00%	\$34,525	

** Refers to the Increase in the current annual contributions to the Reserve Fund only, which is a portion of the Annual Operating Budget.

Annual Contingency Reserve Fund Balance :

**Strata Plan BCS 2789 - Keystone
- Commercial Section -
Scenario #1: Fully Funded
Increase Over 1 Year**



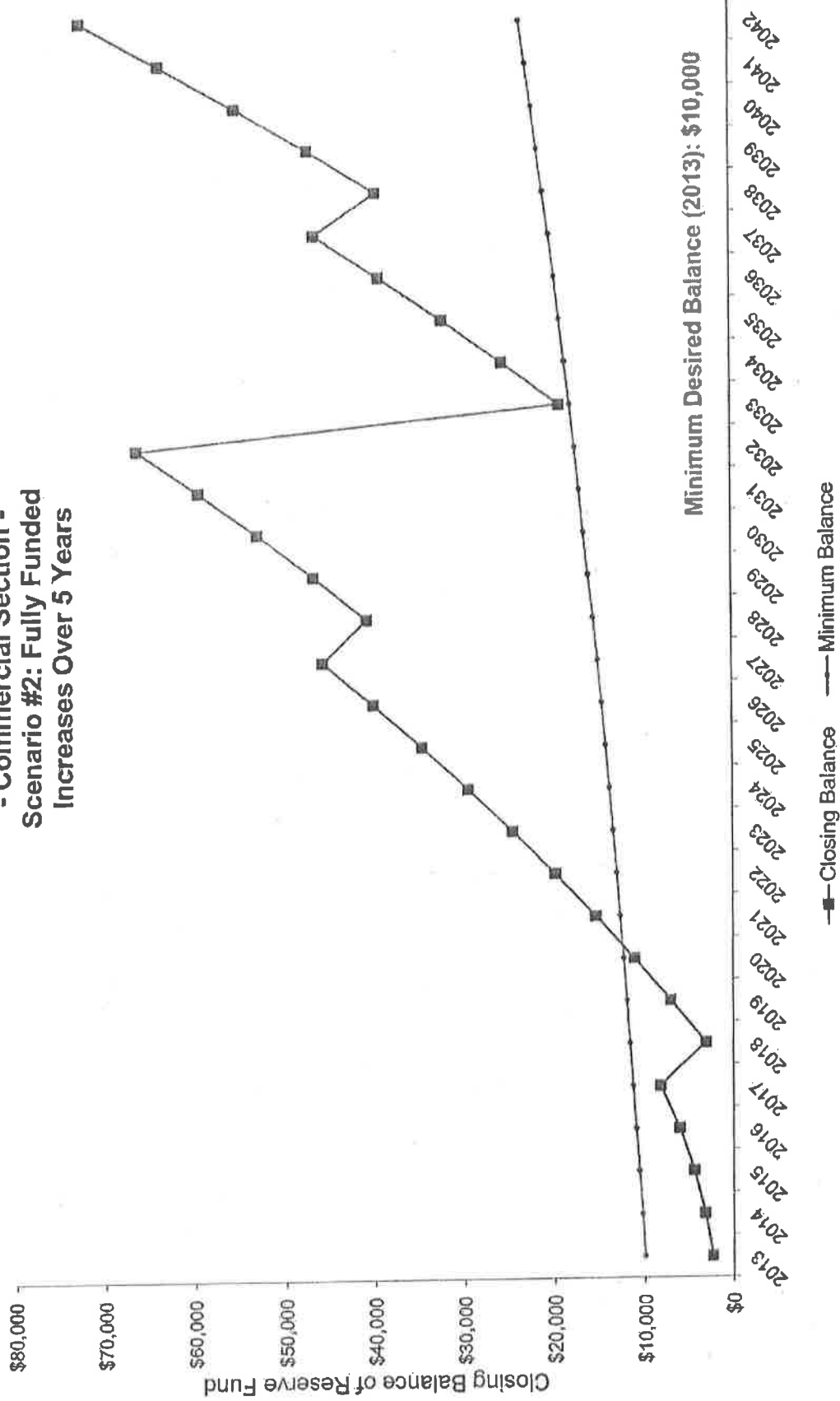
Annual Contingency Reserve Fund Balance :

Strata Plan BCS 2789 - Keystone

- Commercial Section -

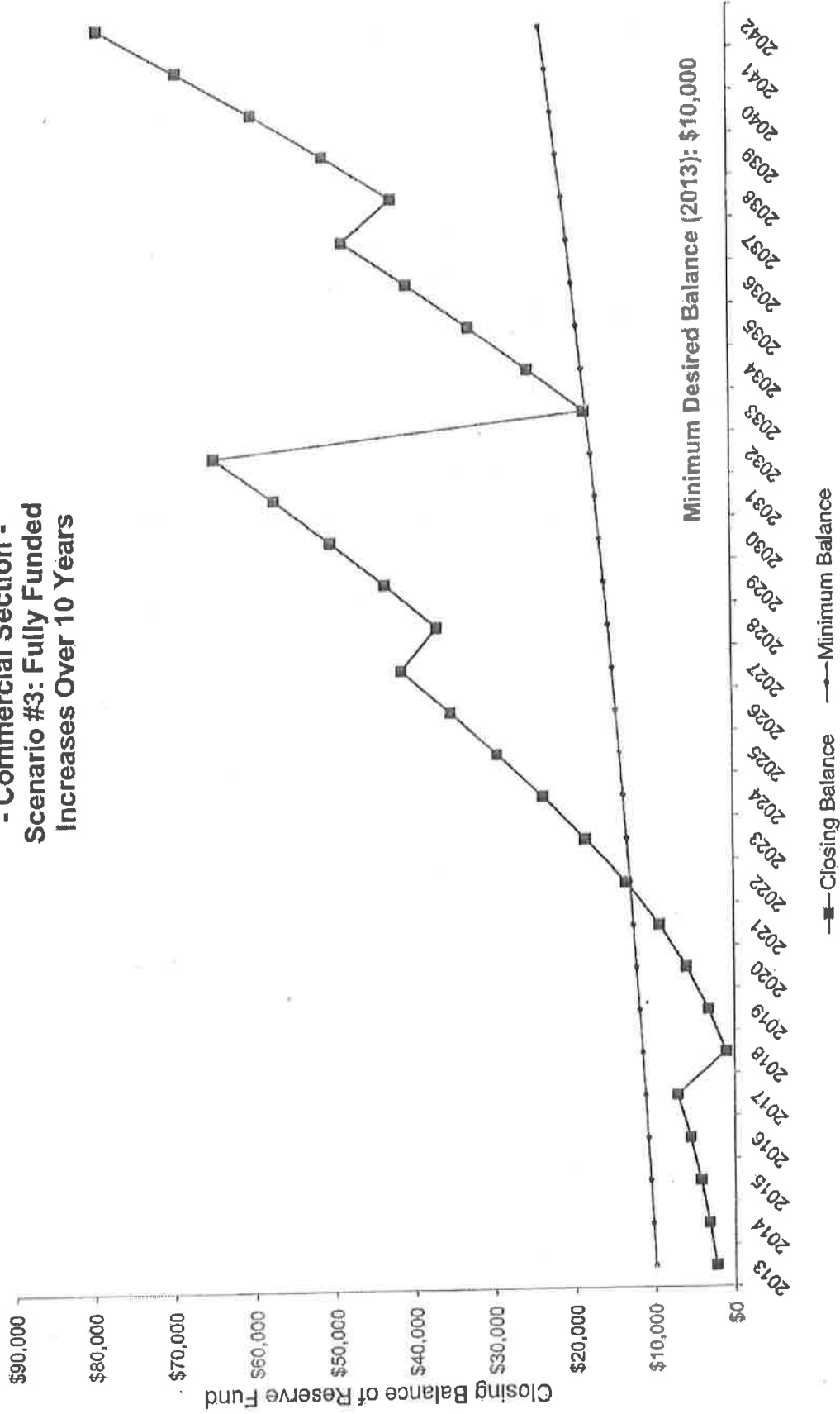
Scenario #2: Fully Funded

Increases Over 5 Years



Annual Contingency Reserve Fund Balance :

Strata Plan BCS 2789 - Keystone
- Commercial Section -
Scenario #3: Fully Funded
Increases Over 10 Years

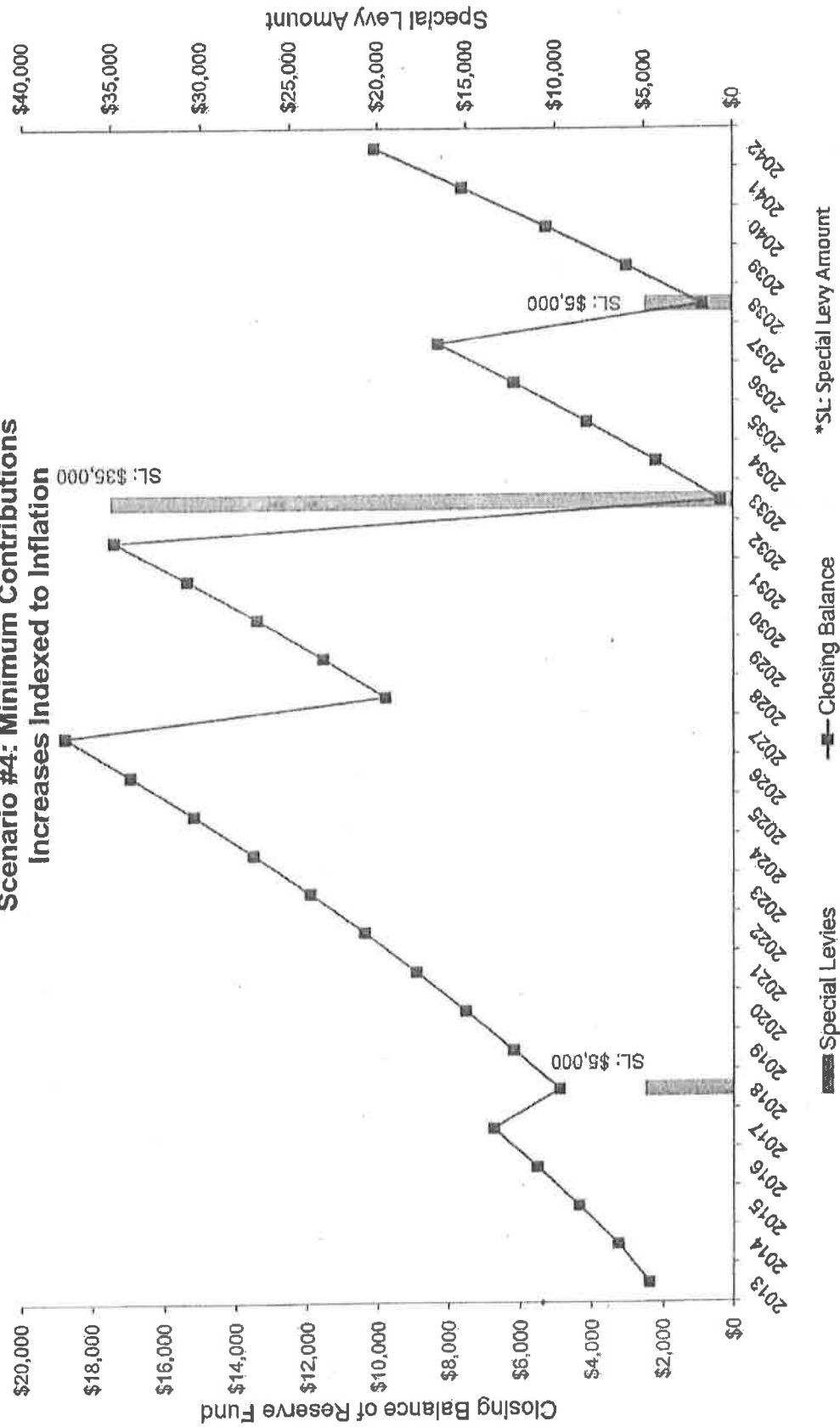


Annual Contingency Reserve Fund Balance :

Strata Plan BCS 2789 - Keystone

- Commercial Section -

**Scenario #4: Minimum Contributions
Increases Indexed to Inflation**

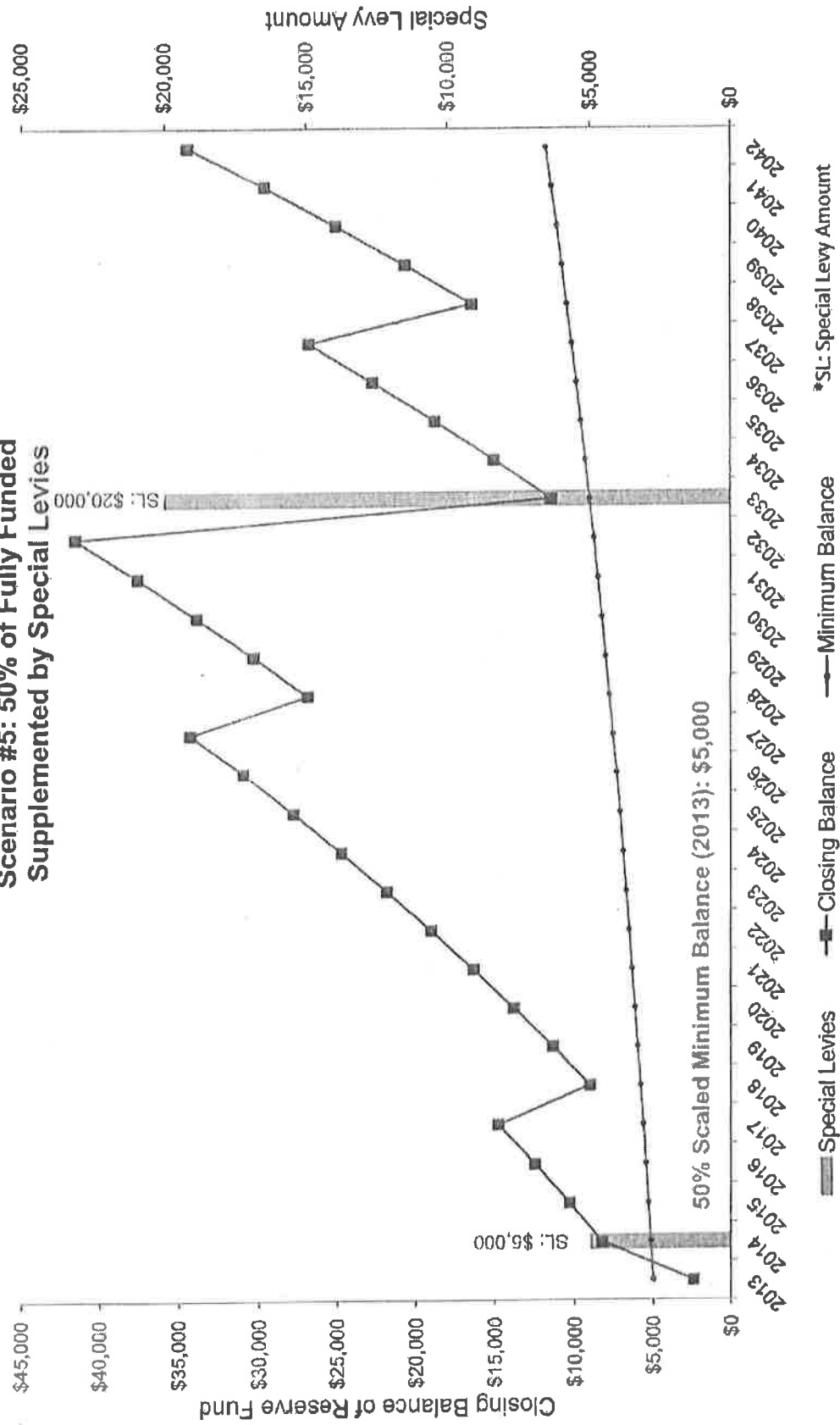


Annual Contingency Reserve Fund Balance:

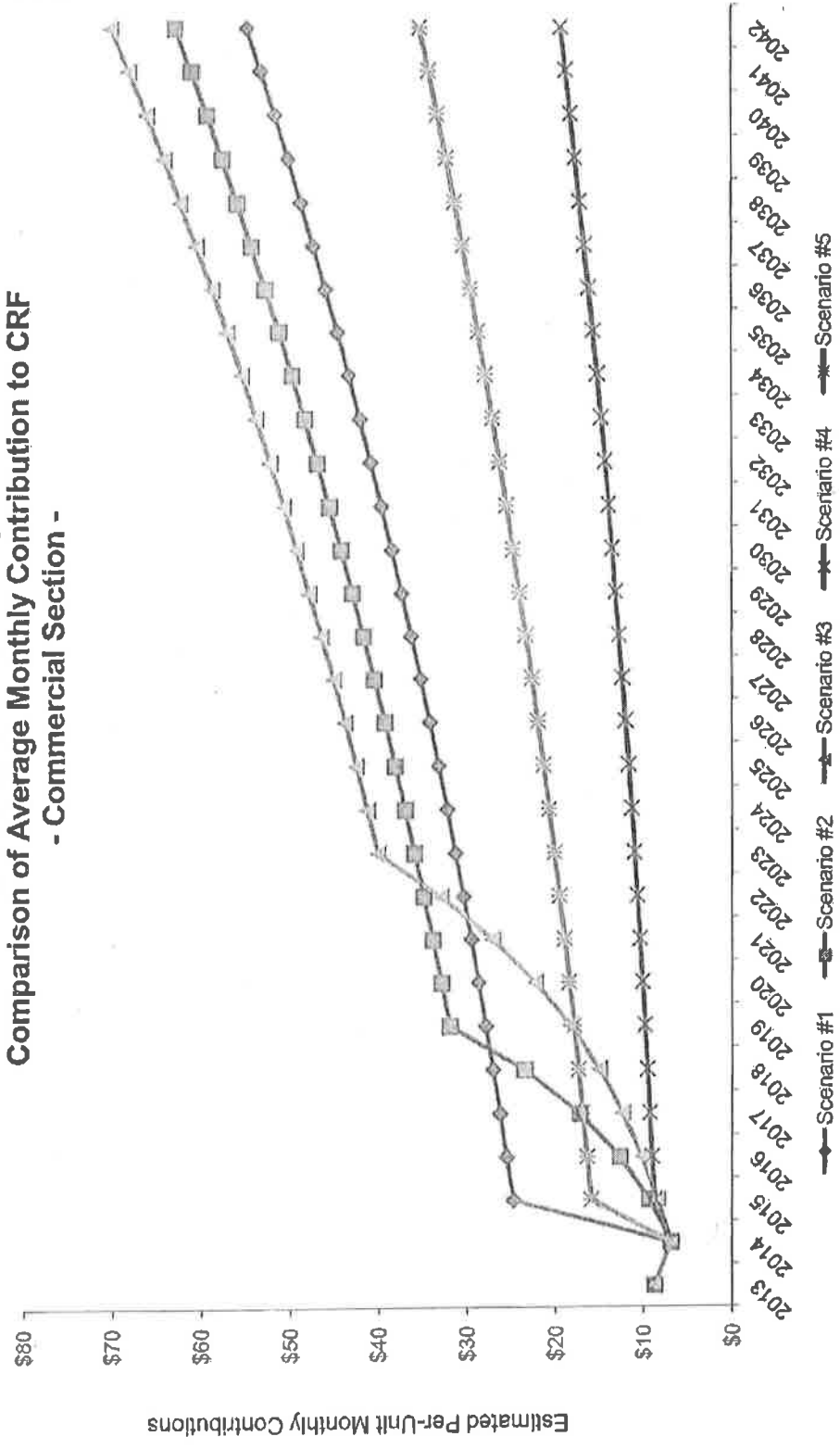
Strata Plan BCS 2789 - Keystone

- Commercial Section -

**Scenario #5: 50% of Fully Funded
Supplemented by Special Levies**



**Contingency Reserve Fund :
Strata Plan BCS 2789 - Keystone
Comparison of Average Monthly Contribution to CRF
- Commercial Section -**



Note: Monthly contributions shown are based on an average commercial unit entitlement of 87.
Consult management for further information relating to a specific suite or unit.

SPRATT EMANUEL ENGINEERING LTD.

CONTINGENCY RESERVE FUND STUDY/
DEPRECIATION REPORT

Our File No. G13-202
November 30, 2013

STRATA PLAN BCS 2789 – KEYSTONE
12350 HARRIS ROAD, PITT MEADOWS, B.C.

APPENDIX E:

Guide 12: Strata Property Act - Depreciation Reports

GUIDE 12: STRATA PROPERTY ACT



Office of Housing and
Construction Standards

Depreciation Reports

March 2013

Disclaimer: the guides are periodically updated as noted on the front page.

The guides are provided for the reader's convenience; they are not a substitute for professional advice including legal advice. Please note: the Standard Bylaws can be amended.

Depreciation Reports

New Requirements

On December 14, 2011, new requirements came into effect for Depreciation Reports.

Strata corporations need to obtain depreciation reports every three years unless they hold an annual $\frac{3}{4}$ vote to waive the requirement or have four, or fewer, strata lots.

If a strata corporation has already obtained a depreciation report, that meets the new requirements, it will have three years to obtain another report.

Please note, there are different timing requirements for obtaining the first depreciation report depending on when the strata corporation was formed.

- For strata corporations formed **on or before** December 14, 2011, a depreciation report is required by December 13, 2013.
- For strata corporations formed **after** December 14, 2011 a depreciation report is required within 6 months after their second AGM.

Inside

- 2. New Requirements
- 3. Overview
- 4. What must be included
- 5. Cost to Prepare
- 6. Getting Ready
- 7. Qualifications
- 8. Resources

Overview

Depreciation reports help strata corporations, including bare-land strata corporations, plan for the repair, maintenance and replacement of common property, limited common property and common assets over a 30 year period.

The report must contain:

- A physical inventory of the common property and assets.
- Anticipated maintenance, repair and replacement costs for common expenses projected over 30 years.
- A financial forecasting section with at least three cash flow funding models.

Depreciation reports provide useful information to strata lot owners, prospective purchasers, mortgage providers and insurance companies.

Depreciation reports are also known as reserve fund studies in other jurisdictions and have been a standard requirement in most Canadian provinces.

What must be included in a depreciation report?

A depreciation report must contain the following information:

- 1. A physical component inventory and evaluation of applicable components as outlined in the Strata Property Regulation 6.2. Examples of the components that are to be reviewed for the depreciation report are listed below. (Please note, this is not a complete list and not all strata corporations will have all the components listed):
 - the building structure;
 - the building exterior including roofs, decks, doors and windows;
 - building systems such as electrical, plumbing, heating, fire, protection and security;
 - common amenities and facilities. (For example, a pool, exercise room, guest house);
 - parking facilities and roadways;
 - utilities, including water and sewage;
 - landscaping, including paths, sidewalks, fencing and irrigation;
 - interior finishes including floor covering and furnishings;
 - green building components; and
 - balconies and patios.
- 2. A financial forecasting section that includes:
 - a projection of the anticipated maintenance, repair and replacement costs for the next 30 years and the factors and assumptions used, including interest rates and inflation rates;
 - at least 3 cash-flow funding models over 30 years;
 - the current balance of the contingency reserve fund (CRF) and how it is funded.
- 3. A summary of the repair and maintenance work to be done (other than on an annual basis) over the next 30 years;
- 4. The date of the report, the qualifications of the author(s) of the report, their relationship, if any, to the strata corporation and information on any errors and omissions insurance.
- 5. Any other appropriate information or analysis.
- 6. The report must also identify those parts of the common property and limited common property, if any, that individual owners are responsible to repair and maintain.

Depreciation reports provide helpful information to strata owners and prospective purchasers. They are a standard requirement in other jurisdictions and Canadian provinces where they are known as "reserve fund studies".

How much do depreciation reports cost to prepare?

The cost would vary depending on the size of the strata corporation, the complexity of the development and who is hired to do the report – there are too many variables to estimate the costs with any certainty. The initial depreciation report usually costs more than subsequent updates. The cost, relative to the assets, is low and provides real value for owners and purchasers.

Preparing for a depreciation report

Strata corporations may want to consider the following steps in preparing for a depreciation report :

Prepare Basic Information: Initially you will need to provide information on total units, year built, floors, and general building and assets information – such as elevators, etc.

Do some research: Talk to other strata corporations similar to yours, review best practices and materials from strata owner associations and websites. (*See Resources Section at the end of this guide*). Write down all the questions you want to ask prospective firms or individuals. You can also check if the depreciation report will be available electronically and thus easier to update.

Gather relevant documents: You will need to provide documents that include those related to repair, maintenance, inspection, agreements with owners about repairs to strata lots, common property or limited common property, as well as financial records and the strata's bylaws.

Who is qualified to prepare the depreciation report?

The Strata Property Regulation does not specify who must prepare a depreciation report. The knowledge and expertise required to prepare a depreciation report for a six-plex may be considerably different than the qualifications and expertise required to prepare a depreciation report for a highrise residential tower with its own power generating plant, airspace parcel and underground parkade.

The person (or team) preparing the depreciation report must have the expertise to:

- 13 understand the scope and complexity of the common property, limited common property, and common assets including individual components and their condition and life expectancy;
- 14 provide the financial forecasting required; and
- 15 understand the strata corporation's bylaws and any agreements entered into with owners respecting common property and strata lots.

It is possible that for some strata corporations, the expertise and knowledge may exist among the strata lot owners to prepare the depreciation report or assist the qualified person or team in preparing the report. The strata lot owners and strata council should carefully consider the responsibilities and risks involved in having a strata lot owner(s) prepare a depreciation report.

To find the right person or team to prepare your report, ask for recommendations from other Strata Corporations similar to yours, check with your strata property manager, and look online at best practice guides offered by strata organizations. Make a list of qualified individuals and firms and invite bids or proposals. Don't forget to check for references and sample reports.

The person, or team, preparing the depreciation report must conduct an on-site visual inspection of the strata corporation's building(s) and components; review both the common and limited common property; as well as any part of the strata lots that the strata corporation, by bylaw, is responsible to repair and maintain.

Recordkeeping

Depreciation Reports and the Form B (the Information Certificate):

The most recent depreciation report, if any, must be attached to the Form B (the Information Certificate).

Retaining Depreciation Reports and other related materials:

The strata corporation must:

- permanently retain any depreciation reports obtained by the strata corporation;
- retain until the disposal or replacement of those items, any reports obtained by the strata corporation respecting repair or maintenance of major items in the strata corporation, including, without limitation, engineers' reports, risk management reports, sanitation reports and reports respecting any items for which information is, under section 94, required to be contained in a depreciation report;

Additional Resources

Links to additional resources on Preparing Depreciation Reports

- www.housing.gov.bc.ca/strata/regs

Other Strata Property Act Resources

- Guides: www.housing.gov.bc.ca/strata/guides.htm
- Strata Property Act: www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/98043_00
- Strata Property Regulation:
www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/12_43_2000

Strata Organizations in British Columbia

- Condominium Home Owners' Association (CHOA): www.choa.bc.ca
- Vancouver Island Strata Owners Association: vlsoa.bc.ca

Additional References:

Sections of the Act referenced in this Guide: 1, 35, 59, 91-96, 98-101, 103, 105, 108, 109, 111, 158, 194, 195

Sections of the Regulations referenced in this Guide: 4.1, 6.2

Other Relevant Strata Property Guides:

- Guide 10: Strata Corporation Finances and Budgeting (updated March 2013)
- Guide 20: Who is Responsible for Repairs, for more information about who is responsible to maintain and repair various parts of the strata development.
- Guide 23: the Information Certificate (Form B)

SPRATT EMANUEL ENGINEERING LTD.

CONTINGENCY RESERVE FUND STUDY/
DEPRECIATION REPORT

Our File No. G13-202
November 30, 2013

STRATA PLAN BCS 2789 – KEYSTONE
12350 HARRIS ROAD, PITT MEADOWS, B.C.

APPENDIX F:

Guide 10: Strata Property Act - Strata Corporation Finances and Budgeting



Strata Corporation Finances and Budgeting

February 2013

Disclaimer: the guides are periodically updated as per the date noted on the front page. The guides are provided for the reader's convenience; they are not a substitute for professional advice including legal advice. Please note: the Standard Bylaws can be amended.

Overview

Strata owners pay for common expenses through strata fees and, if necessary, special levies. Strata fees and the budget are approved each year by majority vote at the strata corporation's annual general meeting (AGM). Special levies are approved by a minimum $\frac{2}{3}$ vote.

Key financial duties of strata owners include:

- 1. paying for common expenses through strata fees and, if necessary, special levies;
- 2. approving strata finances, by voting on the annual budget and other expenditures; and
- 3. ensuring financial controls are in place. Although a strata corporation is run by the elected strata council, and may be assisted by a strata property manager, the responsibility for the strata corporation ultimately remains with the strata owners.

Inside

- 1. Overview
- 2. Best Practices
- 3. Common Expenses
- 4. Strata Fees
- 5. The Annual Budget
- 6. The Contingency Reserve Fund
- 7. Special Levies

Common Expenses in Strata Corporations

There are two types of common expenses:

Operating Fund expenses are the day-to-day expenses for common property that occur once a year or more often than once a year and are paid from the operating fund. These can include such things as: utilities, landscaping, cleaning, minor maintenance, strata property management, etc.

Contingency Reserve Fund (CRF) expenses are for common property expenses that occur less often than once a year and are paid from the contingency reserve fund. These include things such as replacing the roof or upgrading the elevator.

Contingency reserve fund expenses are usually known in advance, identified by a depreciation report and must be approved by a $\frac{2}{3}$ vote of the owners. However, the CRF can also be used to pay for emergency repairs and insurance deductibles that are a common expense.

Paying for common expenses

Strata lot owners pay strata fees and special levies to pay for common expenses. Contributions to common expenses can also include income from sources such as: interest on investments, fines, parking, monies generated from the laundry room or the rental of common areas such as a guest room.

Common expenses may not apply to all strata lots

It is important to note that in some strata corporations, contributions for common expenses may only apply to some strata lots. Separate sections within a strata corporation are separate legal entities.

- Strata corporations with separate sections must have both separate section budgets and section CRFs for those section expenses **which relate exclusively to that section**. Contributions for the section budget are usually based on the unit entitlement of each strata lot in the section.
- Contributions to the separate section operating fund and the CRF are approved in the separate section annual budget and collected through separate section strata fees.

Strata lots in a section will also contribute to a strata corporation budget and strata corporation CRF for expenses common to strata lots in all sections, or expenses which are shared by more than section.

Note, strata lots that are differentiated as different **types** of strata lots in a bylaw do not have the power to establish their own operating fund and CRF. However, if a common expense relates exclusively to:

- a **type** of strata lot identified as a type in a bylaw;
 - strata lots with limited common property; or
 - strata lot repair and maintenance for which the strata corporation has, by bylaw, taken responsibility;
- then contributions for those expenses should be assessed only to the strata lot(s) to which the expense relates.

Expenditures from the Operating Fund

The strata council is authorized to make expenditures from the operating fund (if the expenditure occurs either once a year or more often than once a year).

Operating fund expenditures can be made:

- If approved:
 - In the annual budget; or
 - by a resolution passed by a $\frac{2}{3}$ vote at a general meeting;
- If unapproved, the expenditure, plus all previous unapproved expenditures made in the same fiscal year, may not exceed:
 - the limit for unapproved expenditures set out in a bylaw; OR
 - if no bylaw exists, the lesser of \$2,000 or 5% of the total contributions to the operating fund for the current fiscal year; OR
 - the expenditure is the minimum amount that the strata council needs to expend in order to ensure safety and prevent significant loss or damage. The strata council must inform owners as soon as possible about this expenditure.

Some Financial Best Practices for Strata Corporations

Keep It Simple

- Present financial information simply and clearly so that strata lot owners, and other readers, can easily understand financial statements and reports.
- Have all strata funds in bank/credit union accounts in the legal name of the strata corporation. Consider having separate bank/credit union accounts for separate funds: operating, contingency reserve and special levies.

Consider Future Costs:

- Has a depreciation report been done? How much money is in the contingency reserve fund in relation to expected expenses?

Some Checks and Balances to Help Prevent Fraud

- Financial records should be easily available to owners (subject to privacy legislation). Additional owner scrutiny is a good thing.
- All expenditure and contract decisions should be recorded in the minutes.
- Petty cash should be for a minimal amount (\$50 or less) and must have receipts for payments.
- Review, and include in the financial statements, all revenue sources such as: parking, storage, laundry machines, fines and the interest on invested funds.
- Have at least two people formally responsible to review and approve expenses and sign cheques. Are invoices being paid for work actually done or goods received for *your* strata corporation?
- Every month the strata council needs to review bank statements; monitor whether strata lot owners are paying their monthly strata fees and any special levies; and review the treasurer's report for accuracy and to ensure expenditures have prior approval.
- How long have people been in positions, e.g., treasurer, strata property manager? How is their work being checked?
- How are contractors selected? If recommendations are received for a contractor, are the recommendations impartial? Is more than one contractor being considered?
- Consider having an audit or an independent financial review (such as a review engagement) for the strata corporation. Audits conducted by the Real Estate Council of BC (RECBC) on real estate brokerages who employ strata property managers are only for some of a brokerage's trust accounts. These RECBC audits are *not* a detailed audit of an individual strata corporation's accounts. Also it should be noted that the *Real Estate Services Act* insures to a maximum of: \$100,000 per strata corporation; and to a maximum of \$500,000 for all the strata corporations that a brokerage is managing.

Due diligence is required from owners to ensure a financially well-run strata corporation. Strata lot owners should keep themselves informed about their strata corporation by checking that financial controls are in place, attending meetings, voting, and reviewing records.

Strata Fees

Each strata lot owner pays strata fees to cover budgeted common expenses. Strata fees are usually paid monthly and include contributions to the operating fund and the contingency reserve fund. Strata fees are set when the budget is approved by majority vote at the Annual General Meeting (AGM). Within two weeks of the budget passing, the strata corporation must inform owners of the new strata fees.

Calculating Strata Fees

Strata fees are normally calculated by dividing the expenditures in the approved budget among the strata lots on the basis of unit entitlement. In apartment style or townhouse strata developments, unit entitlement is often based on the habitable size of the strata lot. In bareland stratas, unit entitlement is usually equal for each strata lot.

The schedule of unit entitlement is contained in the strata plan for the strata corporation and must be registered at the Land Title and Survey Authority (LTSA) or filed separately on a Form "V" at the LTSA. (The Form "V" is often used for more recent strata corporations).

Strata fees may also be calculated by using a formula other than unit entitlement, by passing a unanimous vote on a resolution approving the new formula, and registering the resolution, and the approved formula, in the Land Title and Survey Authority.

Late or Unpaid Strata Fees

Most strata corporations have a bylaw setting out when strata fees are to be paid. If strata corporations don't have their own bylaw for the payment of strata fees, then Standard Bylaw 1 requires strata fees to be paid on or before the first day of each month.

A strata council can fine a strata lot owner for failing to pay strata fees in accordance with the bylaw. (Standard Bylaws 23 and 24 apply to any strata corporation that does not have its own bylaw.)

Additionally, a strata corporation may charge interest for late or unpaid strata fees if they pass a bylaw setting out the rate of interest that can be charged for late payments. The interest:

- cannot exceed 10% per annum compounded annually;
- is not a fine; and
- forms part of the strata fees.

The strata corporation may also file a lien for unpaid strata fees against a strata lot. The lien may be registered at the Land Title and Survey Authority (LTSA) against the title of a strata lot by filing a Form G (A *Certificate of Lien*). Note: a lien may not be filed for unpaid fines.

A bylaw can be created to prohibit a strata lot owner or tenant, if they have unpaid strata fees, from sitting on the strata council or from voting on resolutions requiring a majority or $\frac{2}{3}$ vote at general meetings.

Borrowing Against Future Strata Fee Revenue

With a resolution approved by a $\frac{2}{3}$ vote, a strata corporation can borrow money and assign future strata fee revenue as security for the principal and interest. A strata council should seek legal advice on the writing of the $\frac{3}{4}$ resolution, and the loan negotiations.

The Annual Budget

At each Annual General Meeting (AGM) the owners approve the budget by majority vote.

Checklist for the Annual Budget

At least two weeks before the AGM the strata council must prepare and distribute:

- ☒ the notice of the annual general meeting
- ☒ the annual budget for the upcoming year
- ☒ a financial statement for the fiscal year just ending.

Within 2 weeks of the annual or special general meeting at which the budget is passed, the strata corporation must inform owners of the new strata fees.

Preparing the Annual Budget

The budget must contain:

- The **opening balance** in both the operating and contingency reserve funds. This is the surplus or deficit from the year just ending (or estimated surplus or deficit);
- **Estimated income** from all sources other than strata fees, itemized by source. (For example: interest, fines, parking, leasing space for cell-phone towers, etc.);
- A list of the **estimated expenditures** from the operating fund, itemized by category of expenditure. (For example: electricity, landscaping, janitorial, strata property management, professional services, etc.);
- Where applicable, a list of estimated expenditures from the operating fund that relate exclusively to:
 - a type of strata lot identified as a type in a bylaw;
 - limited common property; and
 - strata lot repair and maintenance that the corporation has responsibility for, by bylaw.
- The total of all estimated expenditures from the operating fund;
- The total of all contributions to the operating fund;
- The total of all contributions to the contingency reserve fund (CRF) with consideration to the depreciation report, if any;
- Each strata lot's monthly contribution to the operating fund and the monthly contribution to contingency reserve fund (i.e., the strata fee);
- The estimated balance in the operating fund and the contingency reserve fund at the end of the year.

Section Budgets

Strata corporations with sections must have:

- a strata corporation budget for expenses relating to the whole strata corporation, which meets the requirements set out above; and
- a budget for each section for expenses relating exclusively to the section, which meets the requirements set out above.

The strata corporation budget is voted on at the strata corporation AGM and the section budget is voted on at the section AGM.

Budget Surplus or Deficit

A **budget surplus** occurs when contributions to the operating fund for the previous fiscal year exceed the actual expenditures. A budget surplus can be dealt with in one or more of the following ways:

- transferred to the contingency reserve fund;
- carried forward as part of the operating fund as a surplus, which will not reduce the strata fees;
- used to reduce the total contributions required to the next year's operating fund, which in effect reduces strata fees; or
- any other way determined by a resolution approved by a $\frac{2}{3}$ vote at an annual or special general meeting.

A **budget deficit** occurs when the actual expenditures exceed the contributions to the operating fund for the previous fiscal year.

- A budget deficit must be eliminated during the next fiscal year. This can be done by: raising strata fees, increasing revenues, reducing expenses and/or approving a special levy.

Approving the Budget

The budget for the next fiscal year is approved by a majority vote of the owners at the AGM. The proposed budget may be amended by a majority vote, during the meeting, before the final vote is held to approve the budget.

Failure to Approve the Budget at the AGM

If a budget is *not* approved at the AGM:

- the current budget continues. Owners continue to pay the same monthly strata fees required under the previous budget until the new budget is approved;
- the strata corporation must prepare a new proposed budget that must be approved by a majority vote at a special general meeting to be held within thirty (30) days of the AGM. The special general meeting can be held later than thirty (30) days if the later period is approved by a $\frac{2}{3}$ vote at the AGM.

Until a new budget is approved, the strata corporation may only spend money out of the operating fund if the expenditure:

- 1) meets the requirements necessary for an unapproved expenditure (see Expenditures later in this guide); or
- 2) a) is the type of expense that is set out in the previous budget and usually occurs once a year or more often than once a year; and
b) does not exceed the maximum amount in the previous budget for that particular category of expense.

Confirming Strata Fees

Within two weeks following the annual or special general meeting at which a budget is passed, the strata corporation must inform owners of the new strata fees. Strata fees may not necessarily change from one year to the next. However they are implicitly approved as part of the annual budgeting process.

Changing the Fiscal Year End and Start Date

The strata corporation may (by a resolution passed by a $\frac{3}{4}$ vote at an annual or special general meeting) change the date of its fiscal year by up to six months. As a result, a budget may cover a period of:

- longer than twelve months, but it must not exceed eighteen months; or
- less than twelve months, but it must be at least six months.

If a change is made to the fiscal year that results in a period not covered by a budget:

- the owners must continue to pay the same monthly strata fees required to be paid under the previous budget until the new budget is approved.
- until a new budget is approved, the strata corporation may only spend money out of the operating fund if the expenditure:
 - 1) meets the requirements necessary to make an unapproved expenditure; or
 - 2) a) is the type of expense that is set out in the previous budget and usually occurs once a year or more often than once a year; and
b) does not exceed the maximum amount in the previous budget for that particular category of expense.

The strata corporation should seek approval from the Canada Revenue Agency prior to changing its fiscal year.

Preparing a Financial Statement

The strata council must prepare a financial statement for the fiscal year that is just ending, and distribute it with the notice of the AGM. The purpose of the financial statement is to report on the strata corporation's actual income and expenses for the year that is just ending.

The financial statement must cover a period not less than up to two months before the AGM. Within eight weeks after the strata corporation's fiscal year end, the strata council must prepare a financial statement updated to the end of the fiscal year.

The financial statement must contain:

- the opening and current balance in the operating fund;
- the opening and current balance in the contingency reserve fund;
- the details of the strata corporation's income from all sources, except special levies. For example, income from interest, fines and even guest room revenue;
- the details of operating fund expenditures, including any unapproved expenditures;
- details of contingency reserve fund expenditures, including any unapproved expenditures; and
- income and expenditures by special levy, if any.

Filing Tax Returns

The strata corporation must file a tax return for each fiscal year with the Canada Revenue Agency, and must provide a copy of their annual financial statements with their tax returns. Most residential strata corporations are essentially non-taxable corporations. For more information please check with the Canada Revenue Agency.

Contingency Reserve Fund

Strata corporations must have a contingency reserve fund ("CRF") to pay for common expenses that:

- usually occur less often than once a year; or
- do not usually occur.

Contributions to the CRF

Contributions from strata owners to the CRF should be reviewed at every AGM with consideration to the depreciation report. CRF contributions usually appear as a single expense line item in the annual budget, without specific detail.

Contributions to the CRF are approved in the annual budget and collected through strata fees. Usually, CRF contributions are calculated based on the unit entitlement of each strata lot in the strata corporation.

The following may also be added to the CRF:

- surplus funds from the previous year's operating fund; and
- surplus funds from a special levy, as long as the surplus funds owing to each strata lot is \$100 or less;
- sale of assets.

The CRF must have a minimum balance of 25% of the operating fund for the fiscal year. If the amount in the CRF is less, the strata corporation must contribute at least 10% of the total contribution to the operating fund for the current year until the 25% minimum is reached.

Strata owners may now make contributions to the CRF (above the minimum) by simple majority vote as part of the budget approval process and with consideration to the depreciation report. (Previously a $\frac{2}{3}$ vote was required to make contributions to the CRF if the balance in the CRF was above 100% of the operating budget).

Most strata corporations will have significantly more in the CRF than the minimum required, in order to have funds on hand to pay for the repair, replacement and maintenance of common property over the longer term.

Investing and Managing the CRF

The CRF can be invested or held:

- In insured accounts with savings institutions in British Columbia; or
- In those investments permitted by Strata Property Regulation 6.11.

The funds must be accounted for separately from other monies held by the strata corporation or separate section and:

- must include any interest or income earned on the CRF; and
- can be used to secure a strata corporation loan by approval of a $\frac{2}{3}$ vote.

The depreciation report provides important planning information to strata lot owners about future costs to maintain, repair and renew the strata corporation's buildings, assets and infrastructure over a 30 year time period.

Please see "Guide 12: Depreciation Reports" for more details.

Expenditures from the CRF

Expenditures from the CRF must be:

- approved by a ¾ vote at an annual or special general meeting; and
- consistent with the purpose of the CRF.

An unapproved expenditure from the CRF will only be permitted:

- 1) If the expenditure is necessary to ensure safety or prevent significant loss or damage; and
- 2) a) If the expenditure does not exceed what is required to ensure safety or prevent loss or damage; or
b) If the expenditure is for the purpose of paying an insurance deductible required to repair or replace damaged property.

If an unapproved expenditure occurs a strata council must inform owners as soon as possible about the expenditure unless the expenditure was to pay for an insurance deductible.

Funds from the CRF can be lent to the operating fund to cover temporary shortages as a result of expenses becoming payable before contributions to the operating fund have been collected. If a temporary loan is made:

- It must be repaid to the CRF by the end of that fiscal year; and
- the strata council must inform owners as soon as feasible of the amount and purpose of the loan.

Sections and CRFs

Separate sections within a strata corporation are separate legal entities.

- Strata corporations with separate sections must have both separate section budgets and section CRFs for those section expenses **that relate exclusively to that section**. Contributions for the section budget are usually based on the unit entitlement of each strata lot in the section.
- Contributions to the separate section operating fund and the CRF are approved in the separate section annual budget and collected through separate section strata fees.
- Strata lot owners in a section will also contribute to a strata corporation budget and strata corporation CRF for expenses common to strata lots in all sections, or expenses that are shared by more than section.

Note: strata lots that are differentiated as different **types** of strata lots in a bylaw do not have the power to establish their own operating fund and CRF.

Claims to Monies in the CRF

When the sale of a strata lot occurs, the seller is not entitled to a return of contributions to the CRF.

Special Levy

Overview

A special levy is money collected from strata lot owners for common expenses and a specific purpose. It is in addition to the strata fee and it must be approved at a general meeting.

Special levies occur when:

- the expenditure has not been included in the annual budget because it was either not anticipated or because of the infrequency of the expense;
- there are insufficient funds in the CRF; or
- a decision is made not to use monies from the CRF.

Approving and Contributing to a Special Levy

A resolution for a special levy must be developed and submitted for approval at a general meeting. The resolution must:

- set out the purpose of the levy;
- state the total amount of the levy;
- state the method for determining each strata lot's share of the levy;
- state the amount each strata lot must pay; and
- state the date(s) by which the levy must be paid (i.e. paid as one lump sum or by scheduled installments).

The vote necessary to approve a special levy will be either:

- a **¾ vote** if contributions to the levy are apportioned in the same way strata fees are apportioned, (which is usually by unit entitlement);
- an **unanimous vote**, if contributions to the levy will be apportioned by a fair division of expense rather than the way that strata fees are apportioned.

When a strata lot is sold, if the special levy is approved before the strata lot is conveyed to the purchaser:

- the seller will owe the strata corporation the portion of the levy that is payable *before* the date the strata lot is conveyed to the purchaser; and
- the purchaser will owe the strata corporation the portion of the levy that is payable *on or after* the date the strata lot is conveyed.

Expenditures and Uses of a Special Levy

- The strata corporation must use the money collected by means of a special levy only for the purpose set out in the resolution. The strata council must also inform owners of how monies raised from a special levy have been spent.
- The special levy can be used to secure a strata corporation loan by approval of a ¾ vote.

Excess Special Levy Funds

The strata corporation must return excess funds from a special levy to each owner of the strata lot proportional to the contribution made to the special levy in respect of that strata lot, if there is at least one owner entitled to more than \$100. If no owner is entitled to more than \$100, the strata corporation may deposit the excess funds in the CRF.

If a strata lot has been sold since the special levy was paid, any refund of the special levy is given to the current owner of the strata lot (i.e., the strata lot owner at the time of the refund).

Charging Interest on Late Payment of a Special Levy

A strata corporation may, by bylaw or by a resolution approving a special levy, establish a rate of interest not to exceed the rate set out in the regulations, to be paid if the owner is late in paying his or her strata lot's share of the special levy. The interest payable is not a fine and forms part of the special levy.

Investing and Managing the Special Levy

Similar to the CRF, the special levy can be invested or held:

- in insured accounts with savings institutions in British Columbia
- in those investments permitted by Strata Property Regulation 6.11

The special levy must be accounted for separately from other monies held by the strata corporation (or section) and include any interest or income earned on the special levy.

Additional Resources

Other Relevant Strata Property Guides:

- Guide 7: How to Prepare for an Annual General Meeting
- Guide 12: Depreciation Reports
- Guide 19: Unit Entitlement
- Guide 28: Sections

Links to additional resources:

- Guides: www.housing.gov.bc.ca/strata/guides.htm
- Strata Property Act: www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/98043_00
- Strata Property Regulation: www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/12_43_2000

Strata Organizations in British Columbia:

- Condominium Home Owners' Association (CHOA): www.choa.bc.ca
- Vancouver Island Strata Owners Association: visoa.bc.ca
- Canadian Condominium Institute, Vancouver Chapter: www.ccivancouver.ca

References:

Sections of the Act referenced in this Guide: 14, 28, 45, 53, 81, 92, 97-100, 102-108, 111, 116

Sections of the Regulations referenced in this Guide: 3.4, 6.1-6.8, 6.11, 17.9

Standard Bylaws referenced in this Guide: 1, 23, 24