



Vancouver Island Strata Owners Association
PO Box 30091 -- Saanich Centre Postal Outlet
Victoria, B.C. V8X 5E1

Helpline: (250) 920-0222
Website: <http://visoa.bc.ca>
Email: info@visoa.bc.ca

STRATA BULLETIN – MAY 2005

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MESSAGE FROM YOUR PRESIDENT MAY 2005

It has been just over one month since our last seminar here in Victoria and, perhaps because of the topics to be discussed or the beginning of Daylight Saving Time, it was not well attended but the group present actively took part in questioning our speakers. The session on council responsibilities and the organization of good meetings and preparation of minutes and records will be used to provide the basis of a new booklet that I hope to have available for the June 5, 2005 session in Qualicum Beach.

Again, possibly because of these topics, the Helpline – both telephone and email – has been very active as more strata councils are contacting us with management problems.

I do hope that this indicates that new councils are finding their way through the management issues that resulted in their election or are seeking assistance to “sort things out”. In most cases, problems suggest a lack of understanding of the actions of previous councils rather than actual mismanagement by last year’s council.

As I visit strata councils and/or general meetings, I usually find that those strata corporations with the most problems often have one owner – a council member or an owner at large – who acts as the “strongman”. This person forces his/her

ideas as well as his interpretation of the *Strata Property Act* on the strata council. Solutions to this type of problem are often difficult to find. Complete management by the strata council is often jeopardized as a result.

A strata property manager may also provide the voice that does not allow the strata council to correct their problems of mismanagement. As we move closer to the date for registration and licensing of strata property managers, it seems that a number of people on the Island are “hanging out their shingle” to gain some experience so that they can become licensed strata property managers. Perhaps they believe that the experience gained will assist them in their quest for a license.

In Harvey Williams’ article for this month titled “You Asked”, he has described the issues he found in trying to decipher a financial report supplied by a contracted strata property manager. Strata owners need to be aware of the amendments to the *Strata Property Act Regulations* published in late 2004, with an addition to section 6.7 that reads as follows:

- (3) For the purpose of distribution with notice of the annual general meeting, a strata corporation may provide, by bylaw, that the financial information required under subsection (1)(c) to (e) be provided in a summary form.
- (4) Despite a bylaw under subsection (3), the strata corporation must place before the annual general meeting a financial statement that complies with subsection (1).
- (5) Despite section 36(3) of the Act, if a person who is entitled to a notice under section 45 of the Act makes a request in the period between the date that the notice was given and the date of the annual general meeting, the strata

corporation must promptly provide a copy of the financial statement that complies with subsection (1) to that person.”

[Note: my emphasis by underlining in (3)]

All strata councils should review this amendment particularly if your strata property manager starts, in 2005, to simply provide a summary of the financial record for the year. In my estimation it should be discouraged. Strata owners often find it difficult to understand a good financial statement so let’s not start making it impossible for our owners to grasp the financial picture that the treasurer is presenting.

My latest experience of a developer regaining the management power in a strata corporation was the result of a vote to discontinue a suit that had been started against that him. He again became manager after using his thirteen proxies to defeat the vote. He had brought a lawyer with him from Burnaby who allowed this travesty to happen.

Another strata property manager informed the annual general meeting that they didn’t need to worry about whether or not they needed an appraisal because the insurer would tell them when they needed more insurance – based on what? This same manager, when asked if the Contingency Reserve Fund (CRF) was in cashable GIC’s or Treasury Bonds, he replied “Oh, I don’t know. We don’t invest it at all unless the council tells us to”.

On June 5, 2005 in Qualicum Beach at the Civic Centre, 747 Jones Street, at 12:30pm our session will begin with coffee and nibbles before a workshop beginning at 1:30pm. We will have an overall generalist title of “Managing our Strata Corporation”. We will begin with six tables, each with nine

participants and a facilitator. More tables can be added as members register. The six tables initially set for discussion will have the following topics:

- (1) Managing Major Repairs – Facilitator John Grubb, Unity Services a Business Member.
- (2) Financial Management – Facilitator Bill Frache, CGA, VISOA Treasurer
- (3) Council Dealing with Complaints – Facilitator Claudio Procopio, VISOA Secretary
- (4) Security & Fire/Evacuation Plans – Facilitator Bruce Billings, Board Member
- (5) Depreciation Plans – Facilitator Harvey Williams. VISOA Vice President
- (6) Good Meetings, Minutes and Records – Facilitator Florence Walker, President

Come and choose three of these topics and learn about what you are already doing or should be doing as a council member or as an owner assisting the council. Even if you are sure you are doing everything correctly, perhaps we can show you an easier way! It will be a nice drive up from the lower Island in June so we hope to see you Greater Victoria members as well.

Florence Walker, President

YOU ASKED: How Do I Make Sense Out of My Strata's Financial Reports ?

Harvey Williams, VISOA Board Member

Have a question about managing your strata corporation? Ask us, we've had a lot of experience helping strata corporations solve problems, perhaps we can help you. Questions may be rephrased to conceal the identity of the questioner and to improve clarity when necessary. We do not provide legal advice and our answers should not be construed as such. However, we may, and often will advise you to seek legal advice.

VISOA Members often complain that the financial reports prepared by their management companies are confusing. And it is no wonder. When I was shown the report I have in front of me, my reaction was, "DUH!" It didn't make any sense. No wonder the member couldn't understand it. I couldn't understand it, and I've been our strata treasurer most of the years I've been here. To make sure that I am doing things right, I studied the Strata Property Act (SPA) and Regulation diligently and the feedback I get from our owners is that they find my reports easy to understand.

Problems with this report begin at the beginning. A Total Income section sums Operating and Reserve Fund assessments. Strata Property Act sections 92-97 and Regulation sections 6.6-6.7 direct that operating and reserve funds be accounted for and reported separately.

Further down the page, Total Operating Expenses includes "Operating Expenses Building Common Area", Administration, and, "Fiscal". Fiscal seems to refer to the Contingency Reserve fund because it includes "Capital Improvements", "Transfer to Reserve", and Transfer from Reserve. Once again, operating and reserve fund transactions are combined in violation of the Act. "SUMMARY" and "CLOSING BALANCE", items further down the page make no sense, but also appear to combine operating and reserve funds.

What should be reported? SPA Regulation sections 6.6 and 6.7 are very clear that the operating and reserve funds should be reported separately. The Reserve Fund report should show the year's opening balance, owner contributions and other income during the year, expenditures during the year and the closing balance.

The Operating Fund report should comprise

three columns, Column 1, the budgeted income and expenditures, Column 2, the actual income and expenditures and Column 3 the difference between the two often referred to as "Variance". These all relate only to the Operating Fund. There should be no transfers in, transfers out, cash flow, fiscal, or capital improvements, just income and expenditures and balances.

What to do? Most strata corporations are not businesses seeking profits. Fees are collected from owners to pay for operating and maintaining the common property. Ideally the income and expenses of the Operating Fund are equal yielding a null balance at the end of each fiscal year. While there should be a Contingency Reserve Fund, there are no profits or losses, retained earnings, capital assets, amortizations, balance sheets and the like that usually appear in business reports.

Computers have made strata bookkeeping less onerous. But business accounting software does not meet the needs of strata financial reporting. Much confusion and error result from trying to make strata financial reports fit business software outputs.

Computer spreadsheets can be used, but setting them up can for keeping strata records can be daunting for many strata treasurers.

I kept our strata financial records on Microsoft Money, a home financial management program, for several years. It worked well but was challenging, being inflexible and requiring much adaptation. Intuit's Quicken program is similar to Money, but I've not used it.

Dedicated software for strata financial management is beginning to appear on the market. Some are stand-alone packages that can be purchased on the web and

others are used "on-line" on a subscription basis. Strata treasurers seeking a better way to keep their records might check them out.

The bottom line is that strata owners are entitled to financial reports from their management companies that they can understand and that comply with the SPA and too many strata management companies on the Island are not providing such reports.

Do We Need A Maintenance Schedule?

Elsie Lockert, Board Member

Our Strata is a self managed townhouse development that is about seven years old. Right from the start our Councils have supported a strong maintenance program. They have a very competent maintenance person on contract to work with and agree that "prevention", whenever possible, is much more economical than "the cure".

The following is a sample of the maintenance chart from the "Strata's Resident's Manual" which outlines the responsibilities of each individual owner and what they can expect from Council. It is updated regularly.

You will notice that our maintenance person does annual inspections in each unit. If he finds a problem that is NOT a Council responsibility (e.g. leaky dishwasher) he advises the Owner and Council. The Owner is then responsible to make the necessary repairs BEFORE we end up with rotting floors.

We like to keep our Strata fees as reasonable as possible and so far this plan is helping us to do that.

SAMPLE STRATA PLAN COMMON PROPERTY MAINTENANCE

	Action Required	Frequency	Time
Fireplaces	Clean and service	Every two years	September – October
Roofs	Repair defects	Yearly	October - November
Outdoor Vents	Open	Every Spring	April
	Close	Every Autumn	October
Vents/Exhausts	Clear of refuse	Yearly	November
	Repair defect	As needed	
Eavestroughs	Clear of refuse	Yearly	November
	Repair defects	As required	
Downpipes	Clear of refuse	Yearly	November
	Repair defects	As required	
Walls	Wash to clear of dust and grit	Every two years	May – June
	Repair defects	As required	
Windows	Wash	Yearly	May – June
	Repair defects	As required	
Wood Trims	Brush and paint as needed	Overall painting every five or more years	Summer
	Repair defects	As required	Ongoing
Paving	Repair defects	As required	Summer
Lighting	Repair as needed	As required	Ongoing
	Paint standards as needed	As required	Summer
Drains	Clear of refuse; drain, flush	Yearly	November
	Repair as needed	As required	Ongoing
Perimeter Fence	Repair	As required	Summer
	Stain	As required	
<u>General Inspection – Once per year in October – November</u>			

The Hidden Common System – Perimeter & Storm Drainage

John Grubb, Unity Services Corporation –Maintenance
Planning Consultant

Geography is a constant until man starts building. This isn't strictly true, but as we build our homes...and Strata Properties, we force the geography into changes that are not always able to accommodate Mother Nature's requirements *and* those of the structures we build.

In addition, the roof of any building now covers that original ground that used to absorb much of the rain water, and would allow the excess to find its way naturally to streams and rivers. The last thing we want to do is retain water on our building's roof, and the architects work hard to design drainage that will get it off and away as quickly as possible.

So....Where does it go...??? We've built over the ground that used to absorb it, and we don't want it hanging around our building's foundation walls.

Every building, particularly on our wonderful "Wet Coast", from single family home to large commercial structure, must have a perimeter drainage system installed that offers an escape for natural surface runoff and rising ground water levels during the rainy seasons. The latest BC Building Code also requires a separate drainage system for the roof drainage.

Why separate...?? Roof drains used to drain into the perimeter system drainage (some of you would know it better as "weeping tile") before.

Let's review what are really two separate systems but, more importantly, why they require more than passing attention from the Maintenance Committee.

Perimeter Drainage

All buildings built in British Columbia are required to have perimeter drain piping installed around the concrete footings that support the foundation walls. Up to 1998, the minimum standard (and the Building Code is the *minimum* standard) required the builder to install what was commonly known as "Big-O", a 4" diameter, light weight ABS, corrugated tubing. Better quality construction then, and the newest Code now, requires a much stronger 4", rigid PVC pipe to be installed.

Both of these are perforated at regular intervals along their length, to allow the natural surface and ground water to find an easy escape route away from the building foundations. The Big-O has perforations all around its circumference; the PVC has holes drilled on the bottom quarter of the pipe. It is these perforations that can create long term maintenance problems, and have caused more than a few wet basements and crawl spaces.

Roof Drainage

Until the Building Code revision of 1998, the perimeter drain system also took the water draining from the roof. In wet winters and heavy rains, the perimeter drains were forced to accept large volumes of water from both above and below ground.

The changes introduced in the newest Code require a separate, closed (no perforations) piping system to manage the water from the roof(s) to relieve the pressure on the other "weeping drain" system.

The water from both these systems ends up in the property's Storm Water drain, which is generally tied to the Municipal storm water mains.

System Maintenance

It all about water....We want it away from the foundations...but the plants that grow near the building are looking for all the water they can find.

We're not talking about the small shrubs, annuals and perennials that the Garden Committee works with each year, but more those well established (and perhaps over mature) ornamental and columnar cedars for example, that have always been so popular with landscape designers.

Please look around your buildings. A significant shrub or tree up close to the walls has a root structure in the ground that must support both its bulk and its requirement for water. As the perimeter piping is often no more than 18" to 24" underground, the roots systems often force their way into the perforations in the pipe preventing water from escaping away from the foundation walls, and creating the potential for flooded basements and crawl spaces.

Even a tree of significant size growing well away from the building, will have a root system that can stretch far beyond its "Drip Line" or the general circumference of the branches. Fir trees are particularly insidious and invasive of perimeter drain piping.

At this point, we are not about to suggest that all these trees and shrubs must be removed (although long term landscape planning will be the topic of a future article), but there are certain steps that Owners can and should take to mitigate the drainage problems that can arise.

The servicing and cleaning of the catch basins and oil separators on a property should be part of any comprehensive Annual Maintenance Plan. Many contractors who provide this service can also offer the services and equipment necessary to clean out all the perimeter drain piping.

Unless special conditions warrant, we do not suggest the cleaning of the perimeter drains should be an annual event, but should be scheduled every 3 to 5 years. If the piping is being clogged regularly, it is the offending tree or shrub that should be dealt with instead.

This should not be a particularly expensive undertaking and comes under the heading of "An ounce of prevention". Because it's not scheduled annually, it needs to be separately identified in the Maintenance Budget in those years chosen. Well laid out Annual and Long Term Maintenance Plans will help the Committee include it at the appropriate time.

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The material in this publication is intended for informational purposes only, and cannot replace consultations with qualified Strata professionals.

Legal advice or other expert assistance should be sought as appropriate.

Business Members

Paul Moloney,
 Moloney Painting Ltd.
 (250)360-6400
paul@moloneypainting.com

Tim Anderson
 Strata Bookkeeping
 (250)920-8467
stratabooks@shaw.ca
www.stratabookkeeping.com

Empress Painting
 (250)383-5224
 1-888-788-5624
office@empresspainting.com
www.empresspainting.com

Budget Septic Tank Service
 (250) 478-1178
rjwfoster@telus.net

PES
Professional Ecological Services Ltd.
 Pest Control Services
 (250) 383-2445

Unity Services Corporation
 250-616-9298
john@unityservices.ca
www.unityservices.ca

Cromwell Restoration
 250-978-5556
Bert@Cromwell.ca

For more information regarding Business Membership, please contact Florence Walker at (250) 920-0222.



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SEMINAR

SUNDAY, JUNE 5, 2005 – 12:30 P.M.

<u>TOPICS</u>		
Managing Major Repairs With John Grubb Unity Services	Financial Management With Bill Frache CGA, VISOA Treasurer	Dealing with Complaints With Claudio Procopio VISOA Secretary
Security / Fire / Evacuation Plans With Bruce Billings Board Member	Depreciation Plans With Harvey Williams VISOA Vice President	Good Meetings, Minutes & Records With Florence Walker VISOA President

Registration begins at 12:00 noon

You will need to provide your Strata Plan Number
 If your Strata Plan belongs to our Association
All Owners of your Strata Plan are invited to attend

LOCATION

Qualicum Beach Civic Centre
 747 Jones Street, Qualicum Beach

PLEASE POST FOR ALL OWNERS TO SEE