



Strata Operating Budgets

Agenda

- What is an operating budget?
- SPA Requirements
- How to prepare a budget
- Format
- CRF contributions
- Surplus and Deficit
- Reports

Operating Fund

SPA S92: To meet its expenses the strata corporation must establish, and the owners must contribute, by means of strata fees, to

(a) an operating fund for common expenses that

(i) usually occur either once a year or more often than once a year, or

(ii) are necessary to obtain a depreciation report under section 94, and

Contingency Reserve Fund (CRF)

SPA S92 continued...

(b) a contingency reserve fund for common expenses that usually occur less often than once a year or that do not usually occur.

Operating Budget

Strata Property Act: Budget requirements

S103 (1) The strata corporation must prepare a budget for the coming fiscal year for approval by a resolution to be passed by a majority vote at each annual general meeting.



FINANCIAL PLAN



	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	355,410	370,115	385,023	400,000	412,004	422,754				
Direct costs of goods	269,015	274,000	280,000	285,000	288,045	309,664				
Payroll	10,200	10,200	10,200	10,200	10,200	10,200				
Other	800	800	800	800	800	800				
Cost of goods sold	280,015	284,000	290,000	295,000	299,045	320,664				
Gross Margin	75,395	86,115	95,023	105,000	112,959	102,090				
Gross Margin%	21.21%	23.27%	24.69%	26.25%	27.42%	24.15%				
Operating Expenses	4,000	6,000	24,000	24,000	24,000	24,000				
Sales and Marketing Expenses	3,500	3,500	6,000	6,000	6,000	6,000				
Sales and Marketing payroll	4,500	1,550	3,500	3,500	3,500	3,500				
Sales and Marketing advertising	0	0	6,400	3,570	4,200	4,200				
Sales and Marketing other	0	0	0	0	0	0				
Sales and Marketing %	1,550	6,400	3,570	4,200	4,200	4,200				
	550	550	550	550	550	550				

Budget = Plan

The Budget is a plan for the coming fiscal year:

- anticipated expenditures required to manage common property
- the contribution to the CRF
- the required level of strata fees

The budget is used as a
reference point
over the course of the fiscal year
to compare actual vs. planned

Budget Requirements

(See exact wording in SPA Regulation 6.6)

- Opening balance of Operating Fund
- Total contributions to the operating fund
- Estimated income from all sources other than fees
- Estimated expenses, itemized by category
- Total contributions to CRF
- The estimated balance at the end of the fiscal year

STRATA PLAN VIS567 - OPERATING BUDGET 2020

Opening Balance (Surplus/Deficit) 0.00

REVENUE

Strata Fees	6000.00
Miscellaneous	0.00
TOTAL REVENUE	6000.00

EXPENSES

Repairs and Maintenance	800.00
Insurance	3500.00
Water	1500.00
TOTAL OPERATING EXPENSES	5000.00
CRF Contribution	1000.00
TOTAL	6000.00
Closing Balance (Surplus Deficit)	0.00

Budget Requirements

SPA Regulation 6.6

The budget must also break down each strata lot's monthly contribution to:

- the operating fund
- and the CRF

Commonly called a schedule of strata fees

SCHEDULE OF STRATA FEES

Owner Name	Strata Lot	Unit	Unit Entitlement	Monthly Contribution to Operating Fund	Monthly Contribution to CRF	Total Monthly
Phyllis Diller	1	101	872	621.24	231.57	852.80
Bob Hope	2	102	915	651.87	242.99	894.86
George Burns	3	103	850	605.56	225.72	831.29
Bob Newhart	4	104	725	516.51	192.53	709.04
Lenny Bruce	5	105	800	569.94	212.45	782.39
Billy Connolly	6	106	890	634.06	236.35	870.41
Johnny Carson	7	107	950	676.80	252.28	929.09
Don Rickles	8	201	872	621.24	231.57	852.80
Carol Burnett	9	202	915	651.87	242.99	894.86
Jerry Lewis	10	203	850	605.56	225.72	831.29
Walter Matthau	11	204	725	516.51	192.53	709.04
Mary Tyler Moore	12	205	800	569.94	212.45	782.39
Gene Wilder	13	206	890	634.06	236.35	870.41
				7875.16	2935.48	10810.64

Strata Fees

Owners' fees are calculated as Total Budgeted Strata Fees x proportionate unit entitlement as determined by the Strata Plan (S99, S246, R6.4)

Unit entitlement of strata lot
x total contributions

Total unit entitlement of all strata lots

Estimating Expenses

- Forecast based on past 3-4 years
- Build in a “cushion”
- Incorporate known price changes
 - Utilities
 - Contracts for landscaping, elevator, etc.
- Adjust for decisions to increase/decrease frequency of services

Difficult to Predict?

Some expenses are not as easy to predict:

- Snow removal
- Legal expenses
- Insurance increase
- Damage due to water leaks

Budgeting for Repairs

- Operating fund is “for common expenses which usually occur either once a year or more often than once a year”
- Some repairs arise only occasionally or are unanticipated
- Useful to have broad expense categories for repairs
- If insurance deductibles are now higher, allow more for repairs

Format

The Strata Property Act does not specify a format for the budget.

Keep it simple.

Make it easy for owners to understand.

STRATA PLAN VIS1234 - OPERATING BUDGET 2020

Opening Balance (Surplus/Deficit) 0.00

REVENUE

Strata Fees	250400.00
Interest	200.00
Miscellaneous	0.00
TOTAL REVENUE	250600.00

EXPENSES

Insurance	42000.00
Legal	1000.00
Office	500.00
Electricity	11500.00
Water	31000.00
Waste & Recycling	4200.00
Janitorial	26400.00
Landscaping	17000.00
Repairs and Maintenance	34000.00
Exterior Repairs and Maintenance	21000.00
TOTAL OPERATING EXPENSES	188600.00
CRF Contribution	62000.00
TOTAL	250600.00
Closing Balance (Surplus Deficit)	0.00

Maritime Towers VIS9876

2019-2020 ANNUAL OPERATING BUDGET

	2018-2019			2019-2020 BUDGET	
	Budget	Actual	Difference		
Surplus/Deficit	\$0.00			-\$3,580.00	A
REVENUES					
Strata Fees	\$264,300.00	\$264,300.00	\$0.00	\$281,730.00	E
Interest	\$300.00	\$342.00	\$42.00	\$350.00	B
Total Revenue	\$264,600.00	\$264,642.00	\$42.00	\$282,080.00	
EXPENSES					
Insurance	\$31,500.00	\$31,580.00	\$80.00	\$32,000.00	
Hydro	\$20,600.00	\$20,964.00	\$364.00	\$21,500.00	
Water/Sewer	\$36,000.00	\$37,055.00	\$1,055.00	\$38,000.00	
Waste removal	\$6,000.00	\$5,783.00	-\$217.00	\$6,000.00	
Janitorial	\$23,000.00	\$23,047.00	\$47.00	\$24,000.00	
Landscaping	\$14,000.00	\$13,109.00	-\$891.00	\$14,000.00	
Fire and Safety	\$4,000.00	\$4,689.00	\$689.00	\$5,500.00	
Repairs & Maintenance	\$32,000.00	\$34,628.00	\$2,628.00	\$35,000.00	
Management fees	\$26,000.00	\$25,867.00	-\$133.00	\$26,000.00	
TOTAL EXPENSES	\$193,100.00	\$196,722.00	\$3,622.00	\$202,000.00	C
CRF Contribution	\$71,500.00	\$71,500.00	\$0.00	\$76,500.00	D
EXPENSES + CRF	\$264,600.00	\$268,222.00	\$3,622.00	\$278,500.00	
REVENUES - (EXP + CRF)	\$0.00	-\$3,580.00	-\$3,580.00	\$3,580.00	
Surplus / Deficit	\$0.00	-\$3,580.00	-\$3,580.00	\$0.00	



Contribution to the CRF

Minimum Contribution to the CRF

Minimum contribution (Regulation 6.1(a)):

- If CRF balance at end of last fiscal year is less than 25% of total budgeted contribution to OF that year, contribution to CRF in current year must be at least lesser of 10% of the budgeted contribution to the OF for this year or amount required to bring CRF to 25%

Maximum Contribution?

There is no maximum.

CRF contribution may be made “after consideration of the Depreciation Report...” (Regulation 6.1(b))

- Some stratas want their CRF to be fully funded for future projects
- Some stratas are OK with having special assessments from time to time

Minimum CRF Contribution

Glenwood Drive LMS775, ANNUAL OPERATING BUDGETS

	2018-2019	2019-2020	
TOTAL EXPENSES	\$178,000.00	\$194,000.00	C
CRF Contribution	\$17,000.00	\$19,400.00	D
EXPENSES + CRF	\$195,000.00	\$213,400.00	

At end of 2018-2019 fiscal year, the CRF Balance is \$15,000

	Contribution to Operating Fund (OF)	Minimum CRF Min Balance Required is 25% of Current Contribution to OF	Full Amt to bring CRF to the Minimum Balance	OR 10% of Current Contribution to OF
2018-2019	\$178,000.00	\$44,500.00		
2019-2020	\$194,000.00	\$48,500.00	\$33,500.00	\$19,400.00

Budget Surplus

- (S105) If there is a surplus at end of year, council can:
 - Transfer it into the CRF
 - Carry it forward as an operating surplus without reducing fees
 - Use it to reduce next year's fees
- Any other requires $\frac{3}{4}$ vote at AGM or SGM

Budget Deficit

- (S105) If there is a deficit at end of year, it must be eliminated during next fiscal year:
 - raise fees, or
 - special levy

Passing the budget



Proposed Budget

- Treasurer drafts the budget and presents it to council
- Council discusses, amends and approves for inclusion in Notice of AGM
- (S103) The proposed budget must be distributed with the notice of the AGM under section 45 and must be accompanied by a financial statement.

Passing the budget at the AGM

- The budget for the coming fiscal year must be passed by a majority vote at each annual general meeting.
- (S103) The proposed budget may be amended by a majority vote at the AGM before the budget itself is put to a vote.
- The budget may not be amended during the year.

Inform Owners

- Inform owners of any changes to their strata fees within 2 weeks of budget passing at AGM (S106)

Stay up-to-date

- Bill 14 - Municipal Affairs and Housing Statutes Amendment Act (No. 2), 2020 was passed in August 2020
- New regulations may come into force in the coming year
- Possibly regarding CRF contributions, depreciation reports and insurance

Reports



Accounting Method

- Doesn't matter what method you use
- What is important for strata councils is:
 - conformity with Strata Property Act
 - accuracy
 - completeness
 - understanding and monitoring
 - communication with owners
 - transparency

Does the Strata Property Act
require monthly financial
reports?

Types of Monthly Reports

- Income statement (aka Budget Comparison) summarizes monthly revenue and expenses by budget categories and compares these amounts to the annual budgeted amount
- Balance Sheet (shows all assets and liabilities)
- Accounts receivable (arrears)
- Bank reconciliation

Example – OF Monthly Financial Report

	Account Number	Current Actual	YTD Actual	Budget	Budget Remaining
INCOME					
Owner Fees	100	2,858	17,000	34,300	17,300
Bank interest	101	15	75	150	75
<i>TOTAL INC</i>		<i>2,873</i>	<i>17,075</i>	<i>34,450</i>	<i>17,375</i>
EXPENSES					
Utilities	200	860	5,160	10,000	4,840
Insurance	201	0	0	9,000	9,000
Garden	202	810	4,750	4,500	(250)
Garbage	203	200	1,280	2,600	1,320
Repairs/Maint	204	0	2,600	3,500	900
Water/Sewer	205	170	1,000	2,000	1,000
Other	206	250	1,370	2,850	1,480
<i>TOTAL EXPS</i>		<i>2,290</i>	<i>16,160</i>	<i>34,450</i>	<i>18,290</i>
NET INC		583	915	0	(915)

Strata Plan VIS789
INCOME STATEMENT

Month
May

Month #
3

Fiscal Year
2019-2020

%YTD
25%

	May	Year-to-Date	Budget	%YTD/Budget
Deficit/Surplus Carried forward		-3580	-3580	

REVENUES

Strata Fees	21824.76	67997.49	281730	24.1
Interest	29.88	71.73	350	20.4
Other	0	0	0	0.0
Total Revenues	21854.64	68069.22	282080	24.1

EXPENSES

Insurance	0	0	32000	0.0
Hydro	1765.28	5328.22	21500	24.8
Water/Sewer	0	12412.58	38000	32.7
Waste Removal	485.36	1460.35	6000	24.3
Janitorial	1987.5	5962.5	24000	24.8
Landscaping	968.45	2905.35	14000	20.8
Fire and safety	0	3487.21	5500	63.4
Repairs/Maintenance	3102.55	7429.64	35000	21.2
Management Fees	2107.6	6322.8	26000	24.3
Total Operating Expenses	10416.74	45308.65	202000	22.4
CRF Contribution	6375	19125	76500	25.0
Total Expenses and CRF	16791.74	64433.65	278500	23.1

Net Income

3635.57

3580

Reviewing Monthly Reports

- Have all expenditures been approved, properly recorded and paid out of correct account?
- Is the % of the annual budget spent in line with the month of fiscal year?
 - were significant deviations expected?
- Any major expenses not contemplated in Budget?
 - unexpected repairs?
 - unexpected price increases?
 - need to reduce or defer work to offset?

Reviewing Monthly Reports

- Any major expenses incurred but not yet paid?
- Strata fees in arrears?
 - causing a cash shortage?
 - take action?
- Is a loan required from CRF?
 - (S95) the strata corporation may lend money in the CRF to the operating fund as permitted in the regulations (6.3)
 - To cover a temporary shortage
 - Must be repaid by end of fiscal year

Financial Statements for AGM

- Financial statements must be presented at AGM (SPA 103)
 - as of a day within 2 months before AGM (Regulation 6.7(1))
 - then updated to the end of the fiscal year within 8 weeks after the end of its fiscal year (Regulation 6.7(2))

Financial Statements for AGM

- Required information (Regulation 6.7(1)):
 - opening balance
 - details of income
 - details of expenses, including unapproved expenditures (SPA 98)
 - closing balance

Resources

Go to www.visoa.bc.ca

- Resource Links:
 - SPA, Standard Bylaws, Regulations
 - BC Gov Strata Housing Website
- Bulletins
- Publications
- Strata Support Team (*this service is available to VISOA members*)



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