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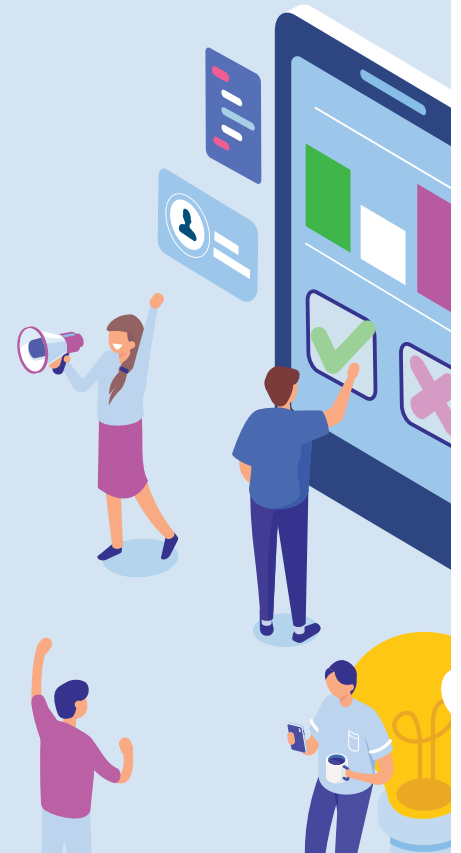
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Eastern Ontario Chapter

Volume 37

CONDOCONTACT

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Nancy Houle, LLB, DSA, LCCI
President, CCI Eastern Ontario
Lawyer/Avocate
Davidson Houle Allen LLP

Message from the President

Dear Members of the Canadian Condominium Institute - Eastern Ontario Chapter,

As we step into spring 2024, we look forward to another successful year in the Condominium industry, and the impactful work that we continue to do for our communities. Within CCI Eastern Ontario, we have been working diligently to plan for new, exciting, and educational content that will benefit our members across the board and support you thoroughly through the rest of the year and beyond.

As we embrace a new year ahead of us, I wanted to underscore the importance of foresight and strategic thinking as we navigate the ever-evolving landscape of the condominium industry. I encourage all of us to look forward with purpose, ensuring that we are well-prepared to address the challenges and opportunities that lie ahead.

Within CCI Eastern Ontario, we have planned a year of educational events to assist with these goals, from conferences, to webinars, to in-person sessions that will answer some of members' most pressing questions as they navigate the landscape of their ever-changing work. We are committed to equipping you with the knowledge and skills necessary to thrive in this community, and to prepare for any hurdles that may arise. From expert insights to best practices, you can expect a wealth of information this year, aimed at helping you always stay ahead of the curve.

For those seeking to deepen their understanding of governance and leadership within the condominium sector, I am pleased to say that our Directors' Course series is once more being offered from CCI-EO this year. These sessions offer comprehensive training and certification whether you're a seasoned professional or new to your role. Each session is designed to provide essential guidance to help fulfill your duties effectively, and we're extremely excited to continue to offer this opportunity to our community.

Finally, I want to take this moment to express my heartfelt gratitude to each and every one of you for your dedication and engagement with CCI Eastern Ontario. We, as Board members, have dedicated ourselves to this association and its success because we believe passionately in its capacity to improve the lives of all members of the condominium community across our chapter. Your ongoing support is what makes our community so consistently vibrant and resilient. I am continually inspired by our members' passion for excellence, which in turn pushes our Board to make each year an even greater experience for you.

As we embark on this new year together, I am confident that we will achieve great things. I look forward to collaborating with each of you and making 2024 a year of growth, innovation, and success.

Warm regards,
Nancy Houle
President, CCI Eastern Ontario

NEW MEMBERS

INDIVIDUAL

Jennifer Jones
Karl Shaw
Bedri Xhomo
Clarence Dungey

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Adnan Kaya, MASEA Corp.
David Visser, Adjeleian Allen Rubeli Limited
Sebastien Soucy, LRL Engineering
Helder Vieira, SDA Building Services Inc.





Message from the Editors'

Happy Spring everyone!

As the days get longer and the temperatures rise, it is time for condos to be thinking about spring planning and navigating the current inflationary economy. Condominiums have seen some tough times financially in the last couple of years with rising construction costs, corresponding increases in reserve fund planning, and increasing insurance costs among other increases. This newsletter looks at ways that condos can plan ahead.

We start off with an updated review of the “*Spring Maintenance Checklist for Condos*” from **Bonnie Myers** and **Michelle Compton**.

Next, we turn to an article by **Luka Milidragovic**, “*Navigating Reserve Fund Shortfalls: A Response to Inflationary Pressures*” which looks at reserve fund shortfalls, options for funding amid inflation and planning ahead for the current inflationary economy.

Patricia Elia questions “*Are your finances in order?*” and provides insight on how move your condo forward in a financially healthy way.

Lastly, **Gerry Bourdeau** makes a plea for the condominium industry to keep economics in mind when making decisions.

Other key features to look for in this edition:

- **Spring 2024 Business Directory**

A look at our business members (based on category) that can help with all your condo related needs

- **CCI National Update**

- **Editors' summary**

An information round-up of webinars and articles from CCI National and other chapters.

We hope these articles and the trusty directory help you to plan ahead for 2024! We look forward to seeing you at our upcoming events: the Kingston Conference and the golf tournament (details inside)!

Cheryll and Mike



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INFORMATION ROUND-UP: EDITORS' SUMMARY



HERE'S OUR SUMMARY OF HELPFUL WEBINARS AND OTHER RESOURCES

CCI-National Resource Centre



WEBINARS/SEMINARS TO CHECK OUT:

UPCOMING:

- May 2024 – **CCI Eastern Ontario** – Condominium Director Certificate Program
- May 3, 2024 – **CCI Eastern Ontario** – 2024 Kingston Condominium Conference



RESOURCE CENTRE (CCI-NATIONAL):

- Welcome Back, Snowbirds! – **CCI Grand River**
Now that you've made it back from the southern climes; what to do? Before you spend the next few days unpacking and doing some laundry, there are a couple things we recommend you do.
- Articles on energy retrofits and grants – **CCI Huronia**
Multiple resources for condos looking at energy retrofits.
- Bill 7 is one of the least understood Ontario laws – **CCI- Toronto**
LEGACY (or successor employee) obligations for building service provider employers (or Bill 7 as it is commonly known) under the Employment Standards Act, 2000 in Ontario is probably one of the most misunderstood laws in Ontario.

These are just a few of the many relevant and helpful articles that you can find in the Resource Centre.



RECENT CASES:

Are you curious about recent case law from across Canada? Check out Condo Cases across Canada (www.CondoCases.ca), published by Jim Davidson, exclusively for CCI members!

ALSO don't forget the law blogs out there providing timely and relevant information related to the condominium industry.

Have you seen a webinar, article, or blog post that helped your condo or do you know someone in the condo industry that you think our readers would like to hear from?

LET US KNOW AT info@cci-easternontario.ca





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Friday, May 3, 2024



Navigating Reserve Fund Shortfalls: A Response to Inflationary Pressures

By Luka Milidragovic
Morrison Financial



Working for a lender that provides financing to condominium corporations, this has been, by a wide margin, the most frequent phone call I have received from prospective clients considering a loan. This is not coincidental. In fact, it can be attributed as a direct result of what we have experienced in the current economic climate, especially as it relates to inflation. This article will aim to dissect the impact of the financial pressures felt by condominium corporations as a result of the recent extreme levels of inflation, the options available to the boards faced with the resulting challenges, and the necessity of adopting a longer-term approach to reserve funds rather than one that is shortsighted.

Reserve Fund Shortfalls – A Common Theme Lately

As stated above, when I receive a loan inquiry from a prospective condominium corporation client, it is often at the time when they receive their updated reserve fund study.

So why exactly is that the case? Well, it would make sense to first take a step back and look at one of the key assumptions of a reserve fund study – the assumed inflation rate. The average reserve fund study in Canada will account for an inflation rate of about 3% year-over-year. Over the course of three years, which is the same timespan to the next required reserve fund study renewal, this amounts to a total increase in inflation of about 9.3%. In stark contrast, however, Statistics Canada has published

a 51% increase to construction inflation in the Greater Ottawa Area from Q1 2020 to Q1 2023.

What exactly does this mean? It means that if you live at a condominium corporation in the Greater Ottawa Area, and your corporation completed a reserve fund study in 2020, and subsequently received an updated version three years later in 2023 (as required by the Ontario Condo Act), then presumably the estimated increase in expenditure costs was short by an average amount of about 41%. This is according to the estimates of Statistics Canada – the figure was derived by simply taking the difference between the 51% Statistics Canada estimate and the assumed 9.3% inflation increase within an average reserve fund study.

And what is the result of this large gap? Unfortunately, the answer to this question is quite unpopular: a reserve fund shortfall to the condominium corporation as a direct result of underestimated reserve fund expenditure costs. Before moving onto the next section though, as an epilogue of sorts, it is important to understand that the inflation estimates used within a reserve fund study – of about 3% year-over-year – are entirely reasonable. The worldwide pandemic, as well as the supply chain issues that followed, amongst other factors, were virtually impossible to predict. Rather, we are dealing with a historic event in modern history and navigating the consequential aftermath (being extreme inflation) as best we can. This leads me to the next section.

Exploring Funding Options Amid Inflation

Confronted with the harsh reality of a reserve fund shortfall, it is imperative that Boards have a complete understanding of all options available to them. Each option presents its unique set of considerations, especially in an economic landscape characterized by high inflation:

1. Deferring: Deferring necessary capital projects can allow the corporation to accumulate and save up the required funds over time to undertake the works involved. However, this can lead to a degradation in the quality of life and property values, while also accumulating higher project costs due to the natural effects of inflation. Obviously, in this time of extreme inflation, this is especially apparent. Assuming the 51% figure stated above, this would mean that if a corporation in the Greater Ottawa Area deferred a \$1 million project, during the period from Q1 2020 to Q1 2023, then this would have resulted in a final increased project cost of \$1.51 million over that time span, presumably. That is staggering.

2. Special Assessments: This method, though quick and direct, can be financially jarring for unit owners, especially when large sums are involved. It is not uncommon for our office to come across clients faced with special assessments in excess of \$50 thousand dollars per unit. In fact, as I often say, this no longer even raises an eyebrow at our firm.



3. Loans: In the face of these challenges, loans emerge as a potentially more flexible solution. By opting to finance a necessary capital project through a loan, condominium corporations can distribute the financial impact over a more extended period, helping in alleviating the immediate financial pressures felt by unit owners faced with special assessments. Loans also offer the upfront availability of cashflow, eliminating the need to defer and/or phase construction works. The obvious drawback, however, is the additional costs due to the interest paid on the loan, which would be paid back through higher monthly condo fees for the duration of the amortization period.

Looking Ahead: Strategic Financial Planning for 2024 and Beyond

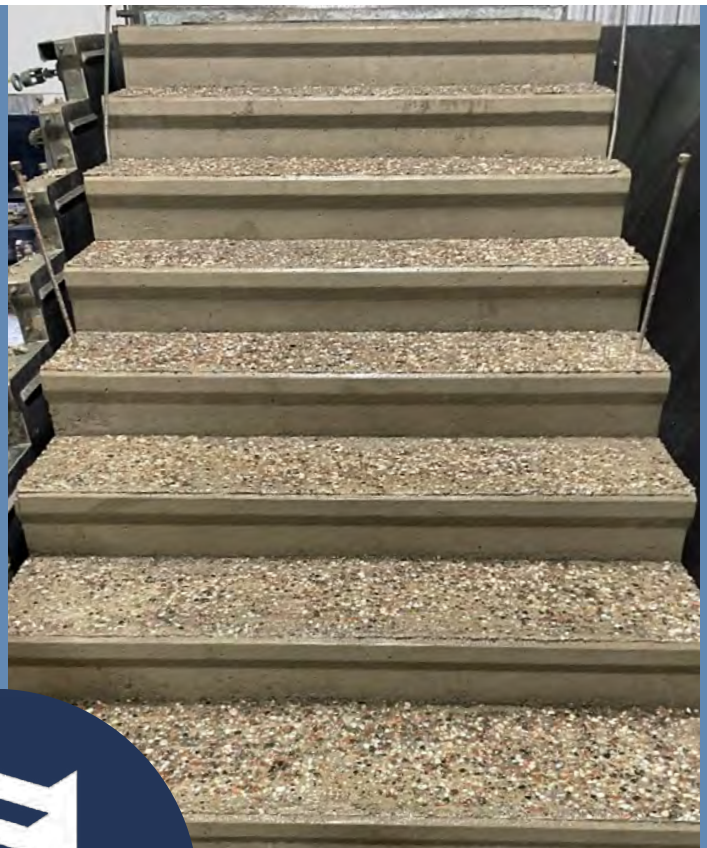
As the condominium industry – and to be honest, the modern world at large – steers through the turbulent times of an inflation-stricken economy, boards must engage in candid and realistic discussions about their financial strategies. Again, nobody could have seen the previously mentioned figure of a 51% inflationary increase coming, and if they did, they would probably be on a beach somewhere. Navigating these times becomes crucial. As stakeholders in the industry, we must continue to encourage boards to ask necessary questions: What significant major repair and replacement projects are upcoming in the near future?

How might the final cost be affected by the inflation we are experiencing? What are our funding options? Should we consider a loan?

It may be worthwhile for boards to consider creative strategies that may not have been as popular in more normal economic circumstances. Some strategies to consider include a renewal of the reserve fund study prior to the required three-year timespan or a meeting with the corporation's reserve fund study engineers to discuss their professional recommendations. Staying ahead of any necessary major repair & replacement projects, communicating these necessary changes with the owners of the corporation, and being well prepared is imperative. Consulting with experienced lenders could provide the Board with comprehensive insights into the corporation's funding options, the advantages of each, and the feasibility of a loan in their unique situation.

As we look toward the remainder of 2024, the path forward for condominium corporations is undeniable: Adopting a forward-looking financial strategy that accounts for the realities of an inflationary economy is not just advisable, it is essential. By prioritizing the establishment of a robust reserve fund, exploring flexible funding options as well as creative strategies relating to the reserve fund study, and preparing for the financial implications of reserve fund study renewals, condominium boards can safeguard the financial health and stability of their communities. There is no doubt that there will be surprises, or namely reserve fund shortfalls. The best we can do is continue to educate the industry and the boards alike of the above-discussed dilemma in an ongoing effort to push back on the frequency of such surprises altogether.

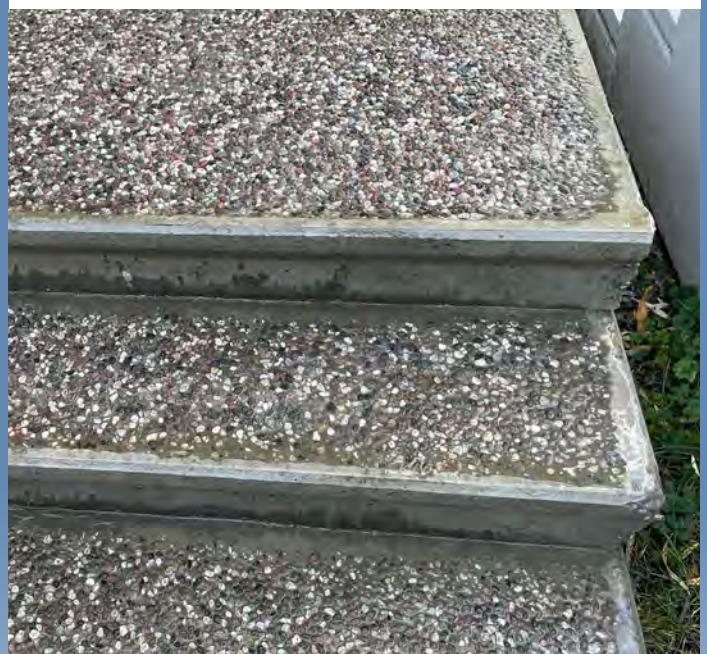
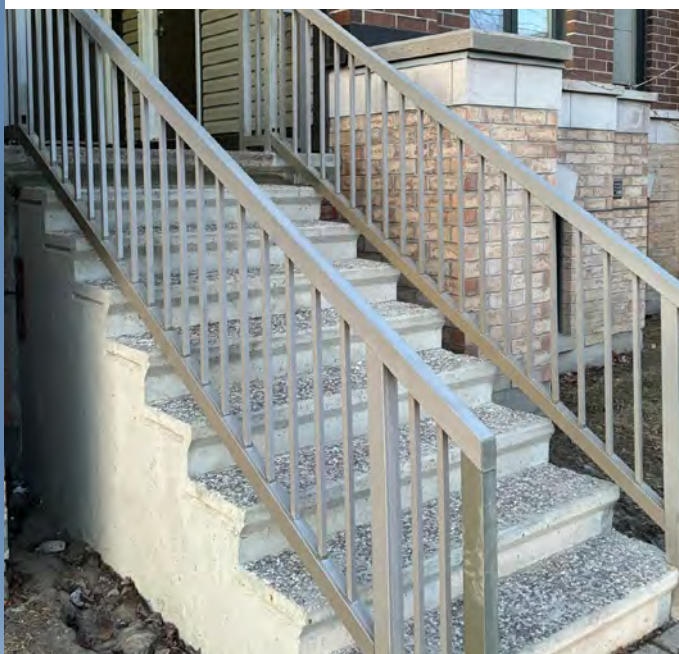
Luka is an Associate at Morrison Financial, responsible for the origination and management of condominium corporation term loans. He supports condo boards faced with reserve fund shortfalls and special assessments by customizing and arranging a financing solution that suits their needs. Morrison Financial is a Toronto-based private lender formed in 1987 and has become one of Canada's longest-standing private finance firms. ■



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<https://cci.ca/lcci/overview>



Spring Maintenance Checklist for Condos: Getting Ready for Spring

It's that time of the year again, time to tackle your Spring Maintenance Checklist for your condominium community



By Bonnie Myers & Michelle Compton – iCondo Property Management

While many condominium corporations have a regular maintenance plan in place for spring, it's still important to complete both interior and exterior inspections of your property to help identify any signs of damage or deterioration that could have occurred over the winter. These inspections will help give you an accurate picture of your condo community's needs and assist in prioritizing your spring schedule.

Here are some critical tasks to consider for your Spring Maintenance Checklist, which may be tailored to your property's specific requirements:

EARLY SPRING

Exhaust Shaft Drains

Now that the snow has melted it's a great idea to inspect exhaust shafts to ensure drains are unobstructed by debris, preventing leaks and damage.

Garage Drains

In preparation for your building's spring garage cleaning, check all parking garage drains to make sure that strainer baskets are clear and in good condition, as well as check for any signs that parking garage drains may be blocked or draining slowly as they may need rodding or flushing.

Sump Pump Pit Operation

Check to ensure your sump pump is operating properly before the spring thaw.

Window Cleaning

Many Corporations have the exterior windows cleaned either annually or bi-annually. Prior to completing the window cleaning, you will need to ensure your roof anchors are inspected. Visual inspections are completed annually, and load testing is due every 5 years.

MID/LATE SPRING

Foundations

Complete an inspection and examine the exterior portion of your property's foundation – check for cracks, signs of moisture, parging deterioration or damage.

Parking Lots & Walkway Inspections

As part of the areas to inspect, do not forget to complete a review of the parking lots and walkways to record any damage that could have occurred during the snow removal operations. It is important to also make note of any areas that may need to be patched and/or repaired to avoid further damage.

Parking Garage Drains & Sump Pump Pits Cleaning

An area that is often overlooked for regular maintenance is parking garage drains and sump pump pits. Regularly flushing of parking garage drains, typically after cleaning your parking garage, can help prevent debris from hardening inside pipes. Taking into consideration that each property's needs are different, having the Corporation's plumber or mechan-

ical maintenance contractor complete an inspection and regular cleaning of these areas will help to prevent costly repairs.

Parking Garage Membrane

Following your parking garage cleaning, completing an inspection of the parking garage membrane, as well as the ceiling underneath, may help to identify areas of concern. Any visible signs of deterioration in the membrane or water staining on the ceiling or around pipes will need to be further investigated for required repairs.

Eaves-Troughs & Downspouts

It is a great time to check for loose joints and/or crushed downspouts. During your inspection assess to ensure water is able to drain away from your foundation.

Roof Inspection – A visual inspection of your building's roof to ensure drains are clear of all debris and draining, as well as no signs of damage, deterioration, or missing shingles.

Pools

If your condo community has an exterior pool, a visual inspection of the pool cover, all equipment, as well as signage is helpful for planning on any repairs and maintenance required prior to opening.

Courtyards/Gardens/Terraces

Many Corporations have courtyards or gar-



dens in the common areas that are available for residents to sit and enjoy the warmer weather. Exterior drains located in these areas are often overlooked. Visual inspections as well as scheduled flushing will help to minimize blockages and ensure proper draining.

By incorporating some of these important tasks into your spring maintenance checklist, condo communities can ensure their properties are well-maintained and ready for the warmer months ahead.

Michelle Compton, RCM, is a leader at iCondo Property Management, known for integrating innovative technologies and fostering exceptional client relationships. With a Condominium Management Diploma

from Mohawk College and an RCM designation from ACO, Michelle's educational journey lays the foundation for her extensive industry knowledge and is complemented by her active involvement with CCI-EO. Michelle has championed the establishment of client-focused online portals, enhancing communication and service delivery, to help the condominium industry evolve with the technological times. Her vision for iCondo's future is marked by a continuous pursuit of excellence, positioning the company as a trendsetter in the industry. Michelle's leadership extends beyond technology; her commitment to staff training and her open-door policy exemplifies her dedication to building a collaborative and knowledgeable team.

Bonnie Myers serves as the Office Manager at iCondo Property Management Inc., where her expertise in customer service shines through her remarkable 15-year career in the property management sector. At the heart of iCondo, Bonnie plays a pivotal role in team support and development, dedicating herself to continual training and mentorship of team members. Her commitment to excellence is further evidenced by her efforts to introduce and implement new procedures that align with iCondo's mission: "Managing Condos with Care." Beyond iCondo, Bonnie is deeply committed to the condominium industry through her involvement with the Canadian Condominium Institute - Eastern Ontario Chapter (CCI-EO), where she contributes her knowledge and skills. Bonnie's ability and dedication to forge deep, trusting relationships with clients and colleagues alike highlights her commitment to making a meaningful impact in the condo management sector. ■



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A Plea for More Economics and Statistics

By Gerry Bourdeau
Condominium Management Group

CCI-EO volunteers, condominium professionals of all stripes, and condominium directors do a fantastic job in general. I want nothing in this article to be construed as if I am saying anything other than the preceding. The following is a truism: despite everyone's competence and best efforts, there's always room for improvement. Humbly, if I may suggest two areas often overlooked by the condominium sector, they are economics and statistics. With one notable exception, which I will mention below, I have never seen a condominium

education presentation that explicitly took into account economic ideas, or that was rooted in statistics.

If I had to guess why, it's because generally, lawyers, condominium managers, and engineers are not required to complete economics courses. Accountants are vital to the condominium sector, and perhaps many of them choose economics electives, but they're mostly engaged as auditors and not analysts. I have no doubt engineers receive training in statistics, and that all of these professionals are more than capable of engaging in economic and statistical reasoning, but, in practice, I don't think economics or statistics are generally at the fore of the industry's thinking, as I hope to demonstrate.

It's my hope to ask or remind everyone in the condominium sector to engage in more economic and statistical-style thinking.

I have a presentation that takes audiences from econ fundamentals all the way to applying them to condominium problems. I don't have the time or space to do that here, so I will, instead, offer examples of the utility of economic and statistical considerations.

1) Opportunity Cost

The true cost of doing A should consider the forgone value of doing B instead. In other words, if you invest \$100 at a return of 10% per annum instead of buying a comic book that will appreciate by 12% per annum, then you've lost two dollars. In "accounting

costs”, we consider the strict costs of doing something (expenses like materials and labour). In “economic costs”, we consider also theoretical things like opportunity costs (what else could’ve been done with the money). We should always operate based on economic costs to make sure what we’re doing is rational.

For example, generally, we want to avoid leaks and mold in condominiums. So, why don’t we undertake a plan to annually remove all drywall in all buildings to investigate for leaks and mold? After all, we managers regularly find leaks and mold in buildings. The answer is opportunity cost. It is irrational to spend more money looking for leaks and mold than the damage that is likely to be caused by leaks and mold. But, without giving specifics, I have seen more than a few recommendations in condominiums that make no “rational” sense. We should always

appropriations to reserve of operating is something the condos would have to buy into before an outlier like Covid.

I am aware of one major exception, as mentioned above, to the lack of statistical analysis in the condominium sector, and that is the Canadian Institute of Actuaries report done by Jean-Sébastien Côté and Jon Juffs. The report is located [here](#).

3) Elasticity

Put simply, the coefficient of elasticity in economics tells how demand changes in response to price. An inelastic demand is one where demand for the product doesn’t change much even if the price goes up. The classic example is life-saving medication. People will buy that no matter what else they must give up. Due to legislation, there are certain things that condominiums in Ontario must purchase and do purchase,

lar with snow contractors, construction companies, and other firms that condos can’t do without. Meanwhile, if the preceding firms raise prices, condos might do without “nice to haves,” like ornate gardens.

The trend towards markets having only a few vendors whose products are legislatively required means that, in the end, consumers will pay for almost all the price increases experienced by vendors. I am not saying that condominiums don’t really need insurance or something like that. I am saying that we collectively need to remember that when we mandate an increase in standards or a service, or when we reduce competition, we, simultaneously, decide that condo owners will pay the bill. This is yet another reason to keep number 1, opportunity costs, in mind!

Summary

Condominiums are complex, and the condominium industry is even more complex. We can always improve how we do things, but sometimes that comes at an unreasonable cost. Think of the plumbing example above. Sometimes, we can improve things efficiently and with few costs! One way to do that is to remember to put on our economist caps from time to time.

Gerry Bourdeau is a condominium manager and management consultant with Condominium Management Group. He holds an MBA with a specialty track in data analytics, B.Sc. in psychology, and a certificate in business economics. Gerry is proud to volunteer for CCI-EO. ■

Accountants are vital to the condominium sector, and perhaps many of them choose economics electives, but they’re mostly engaged as auditors and not analysts.

be careful not to recommend policies and procedures that are more expensive than the issue they’re designed to prevent.

2) Chaos

If you’re a director, manager, or unit owner, you’ve probably received that typical reserve fund plan with future increases at the steady rate of inflation. After the pandemic, Reserve funds in Ontario were greatly affected by the construction inflation we saw. Indeed, operating budgets were also affected by construction inflation and the inflation of other costs like fuel and insurance. I know that Covid itself was not foreseeable. However, Canada’s historical inflation rates, new build inflation, and construction costs have varied a great deal. If we managers and reserve fund planners were using statistical means, like Monte Carlo simulation, to predict unlikely events (baking the outliers into suggested increases), the gap between existing reserve fund plans and new pricing would’ve been mitigated. Of course, having potentially higher

whether they want to or not. A prime example is insurance. The *Condominium Act, 1998*, makes mandatory the purchase of certain insurance by condominiums.

That means when the insurance industry takes on losses, it can download almost all of those losses onto the consumer. It’s simi-



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Planning Ahead for 2024

Are Your Condominium Finances in Order?

By Patricia Elia
Elia Associates



RESERVE FUNDS

Are your finances in order? This is a powerful question and often many of us, while we consider ourselves responsible, do not always have the time and energy to focus on the answer to this question. Further, when we live or own a condominium Corporation in Ontario, we trust the legislation, the Board, the Property Manager and the Engineer to ensure that we

are in compliance with the expectations set for consumer protection and financial management, under the provincial condominium legislation.

So, what exactly does the *Condominium Act, 1998* (the “Act”) require the Corporation to undertake to ensure that our condominium finances are in order? What could

undermine finances being in order? How long can we go without ensuring compliance?

Over the last several years, we have seen the impact of the pandemic on the finances of condominium Corporations across Canada and Ontario. We have seen both operating costs and the cost of construc-

tion go up and therefore, capital replacement go up because of construction price index increases in major business centres in Ontario.

Accordingly, the Boards have been educating themselves and working hard with property management teams to ensure that they are in “reasonable” shape to move towards. I will not say “great” or “good” because I think we need to be honest about the forces outside of our control that we are still experiencing, such as inflationary tendencies (while things still seem under control), interest rate uncertainty, the delayed effects from the shortages of materials, inadequate labour supply and strife across the world. Therefore, a reasonable take on the legal requirements under the *Act* is a must, but compliance with the *Act* is also a must to protect your community.

The contributions by unit owners or common expenses must be in respect of all operating costs and Reserve Fund contributions, in accordance with the Reserve Fund Funding Plan.

Under the *Act* and the Declaration, unit owners must pay their common expenses in the proportions specified in the Declaration. The contributions by unit owners or common expenses must be in respect of all operating costs and Reserve Fund contributions, in accordance with the Reserve Fund Funding Plan. Via the bylaws, most condominiums are mandated to have an annual budget presented to owners. Since we are a not-for-profit organization, our budgets are zero balance budgets, meaning that there is no surplus, we cover the cost anticipated. Generally, in the industry, we like to see one to 1 1/2 months of common expenses, as a cash flow buffer. However, from an economic perspective, we must be looking realistically at where costs are going and budgeting accordingly. I have unfortunately seen in recent months budgets where Reserve Fund contributions are underfunded, as well as operating expenses. Further, I have seen Reserve Fund Plans augmented to not follow the Reserve Fund. While there can be a level of as-

essment and prioritization, since Reserve Funds are “guesstimates”, there is also a point where directors may be negligent and unfairly prejudicial to unit owners.

Section 37 of the *Act* mandates directors to act in good faith and to be prudent. Ignoring the recommendations in the Reserve Fund Study to the point where a condominium Corporation is hundreds of thousands of dollars behind, just to keep common expenses low, is myopic and negligent in my opinion. There is an unfairness to unit owners and while Section 135 of the *Act*, may or may not come into play, we need to think practically about ensuring people can continue to live in their homes. The assessment for tens of thousands of dollars is not always a practical solution for unit owners, especially where interest rates and costs of living are rising.

Therefore, the Boards need to execute their duty properly and should be working with professional property management companies and Engineers to provide realistic budgets, but also set obtainable goals to ensure that people can afford where they live and continue to live there.

Under the unproclaimed Sections of the *Act*, the following section regarding budgets is proposed.

83.1 (1) A corporation shall have a budget for each of its fiscal years that is prepared in accordance with this section. 2015, c. 28, Sched. 1, s. 76.

Fiscal year

(2) The fiscal year of a corporation shall end on,

(a) in the case of the first fiscal year after the registration of the declaration and description, the last day of the month in which the first anniversary of that registration takes place or such other day as is prescribed; and

(b) in the case of a fiscal year after the first fiscal year after the registration of the declaration and description,

(i) the day specified by a by-law of the corporation passed after a new board is elected at a turn-over meeting held under section 43,

(ii) the day specified by a resolution of the board, if there is no by-law as described in subclause (i), or

(iii) the next following anniversary of the end of the first fiscal year, if there is no by-law or resolution as described in subclauses (i) and (ii). 2015, c. 28, Sched. 1, s. 76.

Budget for first fiscal year

(3) Within the prescribed periods of time, the declarant shall ensure that the budget of the corporation for its first fiscal year is prepared in accordance with the regulations and shall deliver it to,

(a) the first board mentioned in subsection 42 (1); or

(b) the corporation, if the first board has not been appointed in accordance with subsection 42 (1). 2015, c. 28, Sched. 1, s. 76.

Budget for subsequent years

(4) At least 30 days before the start of each fiscal year of the corporation after its first fiscal year, the board shall prepare a budget for the ensuing fiscal year that covers the corporation's general and reserve fund accounts and that is prepared in accordance with the regulations. 2015, c. 28, Sched. 1, s. 76.

Notice to owners

(5) Within 15 days of preparing a budget described in subsection (4), the board shall provide a notice to the owners that is in the prescribed form, if any, containing a copy of the budget. 2015, c. 28, Sched. 1, s. 76.

Implementation

(6) The board shall not implement a budget of the corporation until it has provided the notice mentioned in subsection (5). 2015, c. 28, Sched. 1, s. 76.

Amendment

(7) Subject to subsection (9), the board may amend a budget of the corporation for any fiscal year at any time before the end of the fiscal year. 2015, c. 28, Sched. 1, s. 76.

Notice to owners

(8) Within 15 days of amending a budget of the corporation, the board shall provide a notice to the owners that is in the prescribed form, if any, containing a copy of the budget. 2015, c. 28, Sched. 1, s. 76.

Implementation

(9) The board shall not implement an amendment to a budget of the corporation until it has complied with subsection (8). 2015, c. 28, Sched. 1, s. 76.

Notice of non-budgeted amounts

(10) If the board proposes that the corporation incur a prescribed expense in a fiscal year that exceeds, in the manner determined by the regulations, the budgeted amount for the expense in the applicable budget or amendment to a budget for that fiscal year, the board shall provide the prescribed notice of the expense to the owners within the prescribed time and in accordance with the prescribed requirements. 2015, c. 28, Sched. 1, s. 76.

that there are no “benefits” being derived by Board members or other participants to ensure that it is the best market rate. Thus, we should have a good corporate governance framework to manage risks, including policies and/or processes for managing contracts and we should have bylaws that regulate disclosure of conflict and duties.

Where there are referral fees that should be disclosed, a Board should discuss the same with their counsel. From my research in corporate law, the key to referral fees is disclosure. Once you are made aware as a Board Member of any potential referral fee, then issues can be dealt with by either disqualifying the same or accepting the same as a price of doing business, especially if the rate is lower. The political fallout may not be the best though. Therefore, in meeting the thresholds under the Act, it is important that we also disclose any conflicts of interest, so that the thresholds of Sections 40 and 41 of the Act are met, at a minimum. Remember that conflicts are not a reason for disqualification necessarily, they are a matter of disclosure and they are a matter of management of the conflict as directed by the Act. This is where further policies and procedures may help the Board. We are in different times today and we must help our communities move forward in healthy finan-

projects and compliance issues in advance. Also, what we are recommending these days is that Declarations be amended to ensure that indemnities are broad enough that bylaws be amended to ensure that insurance deductibles and the language associated with insurance deductible bylaws and standard unit bylaws are useful to the Corporation. This is a powerful way to curb the costs of operating.

Working as a Board Member and as an industry professional, demands time, education and integrity to move our condominiums forward in a financially healthy way.

Patricia Elia is a senior lawyer with Elia Associates and has practiced law for over 25 years in the areas of condominium law and corporate law, in large, medium and the boutique specialty law firm of Elia Associates. Patricia is intrigued by the interplay of economics, the law and critical thinking models in condominiums and she likes to understand people. As a trained mediator, she understands the value of early and creative dispute resolution opportunities.

As an active industry participant, she believes that the sharing of knowledge has the potential to empower Boards of Directors. Patricia's commitment to condominiums has been in leadership roles such as the President of CCI Huronia, Co-Chair of CCI's National Council, a member of CCI National Executive and a member of all 5 Ontario chapters. She has also sat as Vice-Chair of CCI National's Government Relations Committee and Governance Committee.

Founder of Women in Condos.

She has been a Condominium Director for the last 19 years and a Unit Owner of a condominium. Patricia is pleased to have been a recipient of the CCI National Volunteer Award and to have received CCI National's LCCI designation as a leader of the Canadian Condominium Institute.

Patricia is passionate about the condominium industry because of the important role condominiums play in the lives of real people. ■

Generally, in the industry, we like to see one to 1 1/2 months of common expenses, as a cash flow buffer.

I think this Section sets the right standard for budgets and will ultimately protect unit owners. The Government should proclaim this into force and effect to move forward on a good idea.

Notwithstanding the proclamation of the Section, it is important that Boards set a direction that moves condominiums forward in a way that protects its stakeholders. At the end of the day, the unit owners are the “taxpayers” of the Corporation. This means when we practically execute our budgetary steps, we should look at real projections for utility costs, which are costs that are controlled by third parties that we have no control over. We should negotiate fair, transparent and market-rate contracts. We ensure

special parameters that ensure that their buildings will be taken care of, and their operations managed cost-effectively. There must be trust and transparency and there should be no “getting ahead” on the back of unit owners.

As art of managing risk and costs, we must ensure that we are enforcing compliance and using the tools that are necessary to fulfil our obligations. Therefore, budgeting amounts that are inadequate for enforcement are not helpful to the Corporation in the long run. What I would also suggest is that it is very important to appreciate the fact that condominium Corporations should also have good corporate governance frameworks, to allow for the management of

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