

## Reserve Fund Plan & Report – Your Responsibilities

One of the most common questions I get asked is – “How do we do the Reserve Fund Plan?” Corporations seem to be intimidated by this requirement. The Reserve Fund Plan can be simple and quick and most likely the information is easily gleaned from your Reserve Fund Study. Boards seem to confuse the Reserve Fund Plan with the Annual Report. The following delineates between the two and gives examples of what they should include.

### Reserve Fund Plan

The Alberta Condominium Property Act states the following:

- (4) On receiving the reserve fund report under subsection (3), the board must, after reviewing the reserve fund report, approve a reserve fund plan
  - (a) under which a reserve fund is to be established, if one has not already been established, and
  - (b) setting forth the method of and amounts needed for funding and maintaining the reserve fund
- (5) A reserve fund plan approved under subsection (4) must provide that, based on the reserve fund report, sufficient funds will be available by means of owner’s contributions, or any other method that is reasonable in circumstances, to report or replace, as the case may be, the depreciating property in accordance with the reserve fund report.
- (6) Notwithstanding that a reserve fund plan has been approved under subsection (4), the corporation must provide to the owners for the owners’ information copies of that approved reserve fund plan prior to the collection of any funds for the purposes of those matters dealt with in the reserve fund report on which the approved reserve fund plan was based and what are to be carried out pursuant that report.

The condominium property act basically says that once the study has been approved the board must publish a plan. The plan must layout how much money is to be contributed to the reserve fund account annually. This would include the cost to the unit owners. The Reserve Fund Plan is only completed after a Reserve Fund Study/report is approved; often this is every 5 years. The Act states what is the minimal requirements. The board should also include what is being planned for replacement over the next 5 years.

**Example 1:** 123 4567 Condominium Corporation  
Reserve Fund Plan 2016

The corporation will maintain the current contribution to the Reserve Fund account at \$79,186.00 for the next 4 years (2017, 2018, 2019 & 2020) and then lower the contribution to \$65,000.00 per year thereafter (2021). This works out to \$1,413.00 per year per unit. A Special Assessment of \$184,000.00 will be levied in 2018 to offset upcoming expenses. This Special Assessment works out to \$4,000.00 per unit and will be required on January 15, 2018.

The following schedule will be implemented:

<b>Year</b>	<b>Component</b>	<b>Estimated Cost</b>
<b>2017</b>	– Repair and paint exterior stucco walls	– \$82,875
	– Replace 50 precast steps	– \$49,875
	– Replace all original walkways	– \$182,280
	– Replace vehicle outlets	– \$20,213
	– Repair landscaping concerns	– \$21,000
<b>2018</b>	– Replace poured & precast curbs	– \$17,220
	– Resurface asphalt parking & roadways	– \$75,600
	– Replace all site lighting	– \$17,010
<b>2019</b>	– Replace basement windows and wells	– \$23,310
<b>2020</b>	– No replacement required	– 0
<b>2021</b>	– No replacement required	– 0

**Example 2:** 123 9876 Condominium Corporation  
Reserve Fund Plan 2016

123 9876 Condominium Corporation will be increasing the annual contribution to the Reserve Fund account to \$22,000.00 starting January 01, 2017 based on the 2016 Reserve Fund Study. This equates to an annual contribution of between \$700.00 to \$1,065.00 per unit based on unit factors (chart below). This contribution will be increased by 3.0% each year.

<b>Unit Factors</b>	<b>Annual Contribution</b>	<b>Monthly Contribution</b>
484	\$1,065.00	\$89.00
407	\$895.00	\$75.00
340	\$748.00	\$62.00
320	\$704.00	\$59.00

Also Table 1 should be included.

# Annual Report

The Alberta Condominium Property Act states the following:

- 29(1) Commencing with the fiscal year of a corporation ending after September 1, 2002, a board must for each fiscal year prepare an annual report respecting the reserve fund setting out at least the following:
- (a) the amount of the reserve fund as of the last day of the immediately preceding fiscal year;
  - (b) all the payments made into and out of the reserve fund for that year and the sources and uses of those payments;
  - (c) a list of the depreciating property that was repaired or replaced during that year and the costs incurred in respect of the repair or replacement of that property.

The property act is ensuring that boards are accountable to the owners. The boards must supply a list of the work that was completed the previous year and its associated cost as well as all transfers into the Reserve Fund account. This report is valuable for the next Reserve Fund study as it would contain all the work that was completed, when & costs.

**Example 3:** Condo Corp 012 3456  
Reserve Fund Annual Report 2016

The balance of the Reserve Fund account as of December 31, 2016 is \$185,000.00.

\$20,000.00 was transferred into the Reserve Fund account on the 15<sup>th</sup> of every month.

The following common property was replaced/repared and the funds taken from the Reserve Fund account this fiscal year.

<b>Table 3</b>			
<b>Date</b>	<b>Component</b>	<b>Description</b>	<b>Cost (incl GST)</b>
March 2016	3 <sup>rd</sup> Floor Carpet	Replaced	\$4,725.00
May 2016	Eavestroughs & Downspouts	Replaced	\$6,300.00
July 2016	Elevator	Major Repair	\$12,600.00
	<i>Total Reserve Fund Expenses</i>		<i>\$23,625</i>

In summary the Reserve Fund Plan is completed after a Reserve Fund study is approved and should include what the Corporation is planning in the next 5 years. The annual report is what happened last year in regards to the Reserve Fund account and the common property.

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