

Comfort Chronicle

Comfort Property Management

Fall 2011

Starting Each Fiscal Year on the Right Foot

Each fiscal year the Board approves an operating budget.

The initial draft budget is finalized after a line by line analysis of contracts (complete with any increases contained therein), "wish list" items, utilities, as well as all potential income sources (including those anticipated as a result of serious energy saving retrofits).

Sounds familiar doesn't it? As does the feeling when the final percentage increase becomes evident. This is where the balancing act begins.

If a building is in the fortunate position of having a surplus from the previous year; that surplus can temper a potentially large increase the subsequent year.

Whatever decision the board makes regarding the extent of the increase, there may be opposition so have hard facts to back it up.

No board wants to be in a position of defending a hefty increase made necessary by its wish to implement its own vision for the building rather than that of the owners. Nor do you want to be the board that puts forward a low increase to be popular. You won't be so popular if the building standards decline due to lack of funds.

The bottom line - boards and owners will have live with operating budgets for an entire year so giving them the consideration they require must be a priority.

How Financially Healthy is your Corporation?

Whether buying or selling or making a condominium unit their long-term home, boards and owners must constantly be vigilant about their corporation's health.

The best way to take a corporation's temperature is to regularly monitor the contents of both the annual

operating budget and the annual audited financial statements.

If both these documents are sound, it's likely that the physical components of the building will also be sound since repair/maintenance decisions are usually guided by available funds.

This issue is devoted to updating boards on the importance of running a financially responsible corporation starting with understanding the monthly financials presented at monthly board meetings and questioning variances when required.

Inside this issue:

| | |
|---|---|
| Keeping an Eagle Eye on Service Contracts | 2 |
| Are You Obeying the Act's Reserve Fund Mandate? | 2 |
| Collecting the Uncollectable | 2 |
| The Corporation's Auditor: Everyone's Friend | 3 |
| Special Assessments: a Necessary Evil? | 3 |
| Investment: Making the Most of Your Money | 3 |
| CPM Update | 4 |
| Building Winterization | 4 |

Financial Health Insights

1. Carefully go over the annual operating budget & audited financial statements.
2. Monitor the corporation's financial health regularly via monthly financials presented at board meetings. Ask questions if needed.

Keeping an Eagle Eye on Service Contracts

Service contracts are integral to proactive property management as well as effective building repair and maintenance.

However, not all contracts and contractors are created equal. That's why it's essential that contract specifications be complete and thorough when tendering. Take time to carefully consider each bid before awarding a contract.

Monitor contract work to ensure that there are no unnecessary extras.

When the actual contract arrives for the board's signature, make sure that there is no automatic renewal clause. This is especially important should the quality of the contractor's services decrease during the contract term. A good way to monitor contracts is to have the property manager plot

them on a twelve-month calendar which can be appended to the management report. That way everyone knows all bid, termination or renewal dates.

Using a proper contract monitoring system helps ensure that boards have a handle on cost effectiveness as it pertains to those who service their buildings.

Are You Obeying the Act's Reserve Fund Mandate?

The Condominium Act mandates both the funding requirements for the reserve fund and the timing for reserve fund studies thereby ensuring the adequacy of that fund. Boards are reminded that this is even more important with the deadline for top-up of the fund as a result of the HST.

Today reserve fund studies usually suggest more than the previously acceptable

10% contribution to meet the corporation's needs.

As with all aspects of the running of a corporation, transparency between the board and the owners is essential. That is why the Act sets out a specific formula for the board's implementation of the reserve fund plan or the board's alternative plan as well as the dissemination of same to the owners.

Boards are reminded too that there are serious legal ramifications which may not be covered by directors' liability insurance for failing to maintain adequate reserve funds.

Your property manager can help with this process to ensure adequate funding. It's easy and it's the law.

"Boards have a mandate to ensure the ongoing funding level of their corporations' reserve funds."

Collecting the Uncollectable

It goes without saying that you need money to run a corporation. That is why it is essential that boards ensure that all the money owed to it each month is collected. Monthly maintenance fees form the main component of that income.

Boards must work together with their property manager to make sure that every owner pays promptly. While collection is easier with pre-authorized payments (PAP's), this new format does not preclude the possibility of NSF problems.

Owners must know that fees are due the 1st of each month and that there is a zero tolerance for late payments. Although there will always be those who test the policy; if it is fairly but stringently enforced they will only test it once.

The Corporation's Auditor: Everyone's Friend

Managing a million dollar budget is serious business and, although independent of the other members of the management team, the auditor is an essential component of that team.

The auditor oversees the financial operation of a corporation then explains to the owners where their money went by ensuring that there are contracts and invoices etc. to back up

expenditures. The auditor also facilitates transparency between the board and the owners by reporting on any concerns with the level of the reserve fund as well as any steps the board has taken to deal with same. He/she will report on any investments made by the board on the corporation's behalf and confirm that the vehicles meet Act requirements.

Overall, if a board has acted

in good faith and kept owners advised of both the good and bad news, the auditor is usually able to report this to the owners.

When auditors prepare and sign statements, they are putting their reputations on the line so their reports can be trusted as true representations of the corporation's financial status at the time of preparation.

Special Assessments – a Necessary Evil?

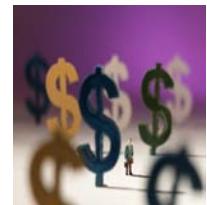
Special assessments are as popular as root canals. However, like root canals, they can mean the difference between a corporation's fall into administratorship or its financial health.

A special assessment may be necessary when unexpected shortfalls/expenditures occur in the budget, or when an expensive system has to be replaced and there is not enough money in the reserve

fund to cover it. It may also be necessary if such expenditure leaves the reserve fund at a lower level than allowed for by the Condominium Act.

Before going the special assessment route, boards must first give it careful consideration and go to extra lengths to communicate the consideration process with owners - the earlier in the process the better. Owners

usually react better if they feel they were part of the decision-making process or at least were given as much advance notice of the upcoming special assessment together with the specific amounts payable on a 'per unit' basis as possible. This is especially important when boards remember that special assessments are lienable in the same manner as common expenses.



Investment: Making the Most of Your Money

When boards think about the members of their team, they usually think of lawyers, managers, or engineers before thinking of financial advisors. However these professionals are essential since they impact a corporation's return on investment (ROI).

While the Condominium Act

mandates the acceptable investment vehicles, financial advisors work with the property manager to track when each vehicle needs to be renewed or changed and makes recommendations.

Before investing reserve funds, the board must "develop an investment plan based on the anticipated cash

requirements of the reserve fund as set out in the reserve fund study" (s. 115). In order to formulate this plan, the board must seek professional advice. If it isn't happening already, get your property manager to put you in touch with them.

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Here we grow again! Due to the ongoing support and loyalty of our clients, Comfort Property Management’s growth has necessitated a move to larger offices. Now we are better able to continue our dedication to the highest quality in client service.

As always, we thank those corporations who have already entrusted their properties to our care and we look forward to a lengthy partnership with you. We also invite any condominium corporations interested in learning more about our unique management philosophy to contact us.

*The Comfort Chronicle is intended for informational purposes only.
Please consult the appropriate professionals before taking any action on behalf of your Corporation*

Customized Property Management
at a Comfortable Price



Building Winterization

This time every year we remind corporations to make sure that their buildings are ready for the cold weather. This reminder is especially relevant in this issue devoted to monitoring the corporation’s finances because a proper program for winterization can reduce or eliminate costly system repairs.

Two major components of this process are making sure that the outdoor pool, fountain etc. is properly winterized; the HVAC has been changed from summer A/C to winter heating.

Make sure too that staff members are aware of their

winter daily, weekly and monthly responsibilities pursuant to established checklist reports. Snow shoveling and salting provisions and procedures must be in place so that everything is ready come the first snow fall.

Ramp heaters must also be checked and certified. Make sure that your landscaping and snow removal contract is intact. The property manager’s exterior building inspection will confirm that they have completed the cleanup for the gardens and lawns. As an aside, we have always found that the October board meeting is a

good time to critique this past season’s planting choices with a view to either repeating or altering same. Any alterations should be incorporated into the property management report as well as its ongoing bring forward list for action the following spring.

As with everything else we report on, we suggest that the board be proactive in the winterization process. Not only will this go a long way to ensuring your owners’ comfort in the coming cold months; it will also satisfy the board’s due diligence mandate