



CONDO LAW
FOR ALBERTANS

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Reserve Fund Guide

In Alberta, all condominium corporations must establish and maintain a reserve fund to cover the costs of major repair and replacement of its property. To determine how much money a condominium corporation should have in its reserve fund, it must complete a reserve fund study, report, and plan every 5 years. Therefore, boards must understand the process to complete a reserve fund study, report, and plan as well as their duty to provide reserve fund information.

Reserve fund study

A physical inspection of the condominium's depreciating (declining) property, such as the roof and heating system.

Reserve fund report

A written document outlining all of the findings from the reserve fund study.

Reserve fund plan

Based on the reserve fund report, the plan is created by the condo board to outline how much money is needed to top up and maintain the reserve fund.

The reserve fund study, report, and plan process

Step 1: Hire a qualified person to do the reserve fund study

The board must retain a qualified person to carry out the reserve fund study. A qualified person is knowledgeable on the depreciating (declining) property, including its operation, maintenance, and cost of repair and replacement.



CAUTION

The board should do its research and due diligence before hiring a qualified person to do the reserve fund study by checking references and asking for sample reserve fund studies.



TIP

For condominiums with 12 units or less, the board can do the study if a special resolution is passed. However, experts highly recommend a qualified person do the study and report.

Step 2: Carry out the reserve fund study

The qualified person doing the reserve fund study must determine the current amount in the reserve fund and recommend the amount needed to top up the fund to meet the future costs of repairing and replacing the depreciating property. They must make an inventory of the condominium's property that may need repair or replacement in the next 25 years and provide the following details for each piece of property:

- A description of its current condition.
- An estimate of when it will need to be repaired or replaced.
- An estimate of the cost of repairs or replacement.
- The estimated life expectancy after replacement or repair.

Step 3: Prepare the reserve fund report

The reserve fund report is the written document outlining all of the findings from the reserve fund study. Once the qualified person completes the reserve fund study, that person must prepare and submit a reserve fund report to the board with the following information:

- The qualifications of the person completing the reserve fund study and report.
- Whether or not the person is an employee or agent of the condominium corporation.
- The findings of the reserve fund study.
- Anything else it considers relevant.

Step 4: Develop the reserve fund plan

The reserve fund plan is the written document created by the condo board outlining the money needed to top up and/or maintain the reserve fund based on the reserve fund report. The board must review the reserve fund report and approve a reserve fund plan. If a condo corporation does not have a reserve fund, it must set one up. If a condo corporation has a reserve fund, the board must plan how to raise any additional funds to meet the report's recommendations. The board may raise funds through a special assessment and/or increased condominium contributions.

Unit owners must receive a copy of the reserve fund plan before the condo corporation can collect any additional money for the reserve fund.



CAUTION

The board's reserve fund plan should reflect the recommendations in the reserve fund report. There can be major problems if there is not enough in the reserve fund to cover the repair and replacement of corporation's property. For example:

- A condo board may have to increase condominium contributions or impose major special assessment levies. This could lead to financial stress to unit owners and create tension between board members and unit owners.
- Failing to have an adequate reserve fund to maintain the building can cause the units to lose their appeal or market value and lead to difficulty in selling the units.

Step 5: Provide reserve fund information

The condominium corporation has a duty to prepare an annual report which contains reserve fund information. It must provide unit owners with the annual report before or at the time of the Annual General Meeting (AGM). The report must include:

- The amount of the reserve fund on the last day of the previous fiscal year.
- All payments made into and out of the reserve fund.
- A list of depreciating (declining) property that was repaired or replaced.
- How much it cost to repair and replace the property.

The corporation also has a duty to provide reserve fund information in certain circumstances. The board must provide a copy of the reserve fund documents to an owner, buyer, or mortgagee within 10 days of receiving their written request.



TIP

The condo corporation should record the details of any requests for information, such as the date, the person's name, and information/documents provided. It should also verify the identity of any non-owners making a request, such as buyers or mortgagees. When collecting personal information, the corporation should know its obligations under the *Personal Information Protection Act (PIPA)*. More information on *PIPA* can be found on our website: www.condolawalberta.ca