
Condo Smarts

Headline: Investments for Special Levies and Reserves

Topic: Investments

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Written by: Tony Gioventu

Dear Tony: Our strata corporation has approved a special levy in payments for roofing of our 8 building complex. As a large development this will be a significant amount. The first due date of the levy is June 1, then October 1, and April 1 2025 with a planned completion over a year. Total cost and levy approved was 2.2 million. Several owners have raised concerns and are asking questions about the management of the trust funds, such as where will the funds be held, how will they be invested, who makes decisions, and are they insured? We would appreciate direction on how the Act applies and prudent decisions for our strata council.

JRN

Dear JRN: The *Strata Property Act*, “the Act”, and Strata Property Regulations, set out the restrictions for collection, use, administration and accounting, investment and refund of special levies. The strata corporation must account for the special levy separate from all other accounts. Annually you must show the opening balance, details of expenses, interest earned if any, and the closing balance. For the duration of the special levy, until the levy is refunded if required where one owner is entitled to \$100 or more, or a small surplus is deposited to the contingency fund, financial reporting is required for each fiscal year.

A strata corporation may charge a rate of interest for late payment of special levies, provided the rate does not exceed 10%, calculated monthly and compounded annually. It should be noted that the interest is permitted if it's in a bylaw or in the special levy resolution.

The special levy funds may be invested in secure investments set out in the *Regulations 6.11*, but they are basically insured funds, secured by CDIC insurance, or secured by some level of Government of Canada or a

province. The interest forms part of the special levy fund, which can be helpful to offset inflation or cost over runs. The best practice is the investment that enables the strata corporation to access the funds as required, so a high interest savings or redeemable GIC. This is determined by your cash flow demands.

The decision to invest the funds is a majority vote of council. The funds are invested in the name of the strata corporation in trust. The account is identified as, “in trust for the owners, strata plan EPS0000”. They are not pooled into an investment account, with other strata corporation's accounts, or in the name of any council member or property manager. The interest will generate a T-5 statement that must be included in your annual tax return reporting. Insurance is limited to the accounts they are invested, and if held by the management company in trust, each management company carries \$100,000 per strata corporation or a maximum of \$500,000 per firm under the compensation fund.

For large amounts, your lawyer's trust will have much higher coverage, and they can provide a level of third party scrutiny over payments and trust fund management. Law firm trusts will still generate sufficient interest which is deposit to the strata corporation account if instructed. If there are any fees associated with the administration of the funds, include those in your annual budget or approve by a separate resolution as a levy or reserve fund expense. Detailed management and reporting to your owners will prevent misunderstandings and build trust in your community.