



Condominium Authority of Ontario

Director Training Transcript

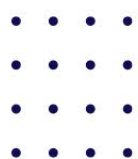


Table of Contents

Module 1: The Condominium Authority of Ontario	3
Module 2: The Fundamentals of Condominium Corporations.....	10
Module 3: The Legal Framework Governing Condominiums	16
Module 4: The Role of Directors and Their Key Responsibilities	25
Module 5: Board Meetings	33
Module 6: Obligations Regarding Corporate Records.....	37
Module 7: Information Certificates.....	45
Module 8: Status Certificates	50
Module 9: Condominium Governance	53
Module 10: Requisitioned Meetings	72
Module 11: Best Practices for Owners' Meetings	76
Module 12: Modifications to the Common Elements.....	92
Module 13: Repair and Maintenance	98
Module 14: Overseeing Condo Managers.....	102
Module 15: Finance Fundamentals	119
Module 16: Reserve Funds and Reserve Fund Studies.....	123
Module 17: Auditors and Annual Statements.....	130
Module 18 Collections and Liens	135
Module 19: Finance.....	140
Module 20: Communication and Conflict Resolution	157
Module 21: The Condominium Authority Tribunal.....	169
Module 22: Issues Management	179
Module 23: Procurement	192
Module 24: Insurance	210
Module 25: Emergency Planning & Preparedness.....	213

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Module 1: The Condominium Authority of Ontario

1.1 Summary

This module provides information about the Condominium Authority of Ontario's creation, purpose, governance structure and how it supports its vision for strong and vibrant condo communities across Ontario.

1.2 Learning Objectives

Upon completion of this module, you should have a clear understanding of the three pillars of CAO's services that aim to improve condo living:

- Information
- Education, and
- Dispute Resolution.

1.3 Why Was CAO Created?

Thank you for beginning the Condominium Authority of Ontario's mandatory director training program! This program will help prepare you as a director to execute your important governance responsibilities and to make a positive impact on your condo community.

The CAO was created to support Ontario's growing condominium communities. Condo living is an increasingly popular form of home ownership and comes with unique perks and responsibilities.

The provincial government created the CAO to engage, empower and protect Ontario's condo communities.

1.4 How Was CAO Created?

In 2012, the Ontario government conducted public consultations to find out how condo communities could be served better. Based on feedback from the sector, the Protecting Condominium Owners Act was passed in 2015. The PCOA amended the Condominium Act to create the Condominium Authority of Ontario as an independent administrative authority.

The CAO launched its initial services and resources on September 1, 2017.

1.5 Governance and Accountability Structure

The CAO is responsible for the Condominium Act. It is a not-for-profit corporation and is governed by an independent board of directors. The CAO is funded through annual assessment fees paid by condo owners and collected from condo corporations through the filing of condo returns. These funds are used to deliver services to condo communities across the province through CAO's digital online services.

The CAO is accountable to the government of Ontario through the Minister of Public and Business Service Delivery as outlined in a joint Administrative Agreement published on CAO's website.

The CAO directly engages with the condo sector through our communication channels, advisory panels, online surveys and user testing. Feedback from condo communities helps us improve our services and support condo living across the province.

1.6 Housing Related Consumer Protection in Ontario

The CAO is one of many designated administrative authorities with a housing-related mandate. These organizations collectively strive to provide comprehensive consumer protection in Ontario.

Home Construction Regulatory Authority (HCRA)

The HCRA regulates and licenses new home builders and protects consumers by enforcing professional standards.

Real Estate Council of Ontario (RECO)

The RECO regulates and licenses real estate professionals and protects consumers by enforcing professional standards.

Tarion

Tarion administers the province's new home warranty program and ensures that new home buyers receive coverage they are entitled to.

The Condominium Management Regulatory Authority of Ontario (CMRAO)

The CMRAO was created through the PCOA to regulate and license condo management providers in Ontario. The CMRAO protects consumers by enforcing

professional standards in the condominium management industry. Additional information on the CMRAO and overseeing condo managers will be provided later in the training.

1.7 CAO Services

The CAO's mission is to engage Ontario's condominium communities and empower them with information, education, and dispute resolution services. Our work supports consumer protection and helps condo buyers, owners and board directors understand their unique rights, roles and responsibilities that contribute to making condo living enjoyable for all.

1.7.1 Information Services

The CAO educates and supports condo communities through a range of information services, including:

- Client support services accessible online or by phone;
- Managing key data filed in condo returns;
- A searchable online condo registry;
- A condo calendar tool that provides unit owners and corporations with their annual legal deadlines; and
- Access to government-mandated condo forms.

Client Support Services

The CAO's client support services team supports condo communities by:

- Answering questions and providing guidance by phone and email on issues that arise in condo communities;
- Assisting with navigating various resources, information, and services on CAO's website;
- Assisting with technical issues such as filing condo returns or accessing condo forms; and
- Providing case management support for clients utilizing the Condo Authority Tribunal.

Condo Returns

All Ontario condo corporations are legally required to file returns and notices of change with CAO. Key data is then published to support consumer protection.

There are four kinds of returns: initial, turnover, transitional, and annual. All condo corporations must file an annual return between January 1st and March 31 of each year.

Returns are online forms that capture key information about the condo, such as the date it was created, its service address, who is currently on its board of directors and the number of units.

The information published on the condo registry is an important component of CAO's consumer protection goals and must not contain any false or misleading information. Certain information submitted must be updated when circumstances change. Any updates to this information should be promptly filed through a notice of change within 30 days.

Information filed through a corporation's returns or notice of change are displayed on CAO's condo registry and determines annual assessment fees.

Condo Registry

The CAO provides and maintains a searchable online condo registry of all condominium corporations in Ontario on its website. This registry serves to strengthen consumer protection for Ontario's condo sector by publishing the important information provided by condo corporations through returns. Owners, buyers, and the public can search the registry by any of the following methods:

- Legal name;
- Operating name;
- Director name; or
- Municipal address.

This registry can be used to search your condo's address for service, number of voting units, board director names, management company and more.

By using this condo registry, you agree to use the information for personal purposes only, refrain from systematic data collection, and are prohibited from selling or licensing the information. Our terms of use detail these requirements in full.

Condo Calendar Tool

The CAO has created many tools and resources. One of these is the Condo Calendar Tool that helps each condo corporation easily monitor the annual deadlines related to their legal obligations, such as when to send AGM notices, information certificates and more. The calendar tool provides deadlines specifically

for your condo corporation and is based on information your corporation provided when filing returns and notices of change with CAO.

Condo Forms

The CAO provides access to several specified government and other condo forms for use by both condo board directors and owners. These forms help to streamline administrative processes and ensure consistency in condominium practices. Some of these forms are mandatory and must be used, while others are optional.

1.7.2 Education Services

The CAO online suite of information and digital resources are developed to help educate condo owners, directors, renters, and buyers about the ins and outs of condo living and provides guidance on timely issues that affect the sector.

Our educational offerings include:

- [CAO's Director Training Program](#); and
- [Guides and topical resources](#).

Director Training

The CAO establishes the courses for mandatory director training, as stated in the Ontario Regulations 48/01. Every Ontario director must take the training within six months of their term start date upon election, re-election, or appointment to their board.

Directors must redo the training every seven years to stay up to date on new information within the course.

This comprehensive training is essential for condo directors to learn important information about their management responsibilities, governance duties and financial obligations.

The training is accessible online 24-7 and is free to anyone interested in learning about condo governance, not just directors!

CAO Guides and Educational Resources

The CAO has developed several guides and educational resources on various topics to provide additional learning materials for board directors, owners and buyers and help condo communities thrive.

These downloadable materials are available in our website's resource library and include best practices, condo living and how-to-guides, such as CAO's:

- [Condo Owners' Guide](#)
- [Self-Managed Condos Guide](#); and
- [Condo Buyers' Guide](#).

The CAO continuously updates the resource library to better serve condo communities.

Select the Next arrow to learn about the CAO's dispute resolution services.

1.7.3 Dispute Resolution Services

The CAO helps condo communities understand and address common condo living issues through an integrated approach to empower them to work together to resolve their disputes through:

- Our digital information, tools, templates and online platform to solve common issues; and
- The Condominium Authority Tribunal – Canada's first fully online tribunal.

Common Issues

The CAO's dispute resolution service is designed to guide and help condo community members understand and resolve issues early and collaboratively before they escalate.

Most issues can be resolved by working collaboratively. That's why the Condo Authority provides:

- Information about your rights and responsibilities under law;
- Guided steps to help resolve different common issues; and
- Sample letter templates to use when contacting owners, occupants or the board.

Integrated Dispute Resolutions

The CAO's integrated online dispute resolution service provides condo owners and corporations with a fast, fair, and cost-effective way to resolve issues and settle specified disputes.

Where issues cannot be resolved through the steps to common issues and self-guided negotiation. Owners and condo corporations may be able to file a case with the Condo Authority Tribunal (CAT) if an issue remains unresolved.

The Tribunal is Canada's first fully online tribunal.

Prior to filing a case, clients are guided through the guided steps and online platform to understand whether their issue is within Tribunal's jurisdiction.

Refer to our module on the Condominium Authority Tribunal for more information on CAO's online dispute resolution service.

Knowledge Check 1-1

At a minimum, how often are condominiums required to submit an annual return to CAO?

- a. Once a month
- b. Once a year
- c. Twice a year
- d. Once every two years

Knowledge Check 1-2

The CAO's dispute resolution service:

- a. Provides affordable online dispute resolution processes
- b. Helps owners, residents, and condominium corporations to solve issues early, before they escalate
- c. Provides self-help tools and templates to assist with solving common issues
- d. All of the above

Module 2: The Fundamentals of Condominium Corporations

2.1 Summary

This module explains what condominiums are and describes the different types of condominiums.

2.2 Learning objectives

Upon completion of this module, you should be able to describe:

- what condominiums are;
- how condominiums are created; and
- how condominiums are run.

2.3 What is a condominium?

A condominium is a type of real estate. The word “condominium” is often used to refer to land or buildings. However, it can also be used as a short name for a type of corporation.

2.4 How are condominiums created?

Condominiums are created under the authority of the Condominium Act, 1998 (“the Act”). Condominium directors and owners are subject to the provisions of the Act and its regulations.

A condominium corporation is brought into [legal existence](#) when the owner of the land (usually the developer) registers a “Declaration” and “Description” at the Land Registry Office:

- **Declaration** – contains key information such as the legal description of the condominium property; the boundaries of units and common elements; and, an indication of the number and type of units (e.g. 100 residential units). It may also define limitations on commercial activity in a unit.
- **Description** – a set of drawings (also known as the “survey drawings”) that show the relationship between the units and the other parts of the complex.

2.5 Additional information about condominiums

Condominiums may be purposely built as condominium buildings or may be created by converting a pre-existing building.

Most condominiums consist of both “units” and “common elements”:

- **Units** are property that can be bought and sold. Units are commonly residential, commercial, or industrial. Units can also be parking units, storage units, or other types of units.
- **Common elements** are everything in the condominium complex that is not a unit. Common elements can be driveways, elevators, amenity areas, and interior hallways. Common elements can be reserved for the exclusive use of one unit (for example, a balcony) or can be owned by the condominium (for example, a service unit).

Knowledge Check 2-1

A condominium can be:

- a. A type of real estate
- b. A piece of land
- c. A building
- d. All of the above

Knowledge Check 2-2

When is a condominium corporation brought into legal existence?

- a. When a buyer purchases a building or unit
- b. When the landowner registers a Declaration and Description at the Land Registry Office
- c. When the plans for constructing the building have been approved by the Land Registry Office
- d. When a pre-existing building is converted into a condominium.

2.6 Ownership in condominiums

Units are owned privately by whoever purchases or acquires the property.

The common elements are owned collectively by all the unit owners. Unit owners are responsible for paying their portion of the common expenses (often referred to as maintenance fees) as it relates to the operation and maintenance of the common elements. Schedule “D” of the Declaration specifies each owner’s proportional ownership interest in the common elements, which informs each owner’s contribution to the budget.

Condominium assets are also owned collectively by all the owners, in the same proportion as their ownership interests in the common elements. Assets may include cash, investments, guest suites, and equipment.

2.7 Rights of entry

A key element of unit ownership is “rights of entry” by the condominium corporation under the Act. A corporation’s governing documents, such as the declaration and by-laws, may set out more information regarding reasonable notice for entry in specific circumstances.

Access to a unit is occasionally needed to permit the corporation to complete inspections and repairs to the common elements that are only accessible from within the unit. It may also be needed during an emergency, such as a water leak or fire emanating from a unit.

Knowledge Check 2-3

True or False?

1. Assets are also owned collectively by all the owners, in the same proportion as their ownership interests in the common elements.
2. In the case of “Right of Entry”, the unit owner must be notified in advance of most reasons for entry.

2.8 Types of condominium corporations

There are [two categories](#) of condominium corporations:

- **Freehold** – condominium located on land owned by the condominium corporation
- **Leasehold** – condominium located on land that is leased and not owned by the condominium corporation.

Freehold condominiums

The Act recognizes four types of freehold condominium corporations:

- Standard
- Phased
- Vacant land
- Common elements

There are different legislative requirements for each type of freehold condominium. Most portions of the Act apply to all condominiums, but there are also special sections that deal exclusively with phased condominiums, vacant land condominiums, common element condominiums and leasehold condominiums.

Standard Condominiums

A standard condominium corporation is the most common type of freehold condominium in Ontario. A standard condominium has both units and common elements.

In most standard condominiums, things like the exterior walls, roofs, windows, entry doors and sometimes heating and cooling equipment would be part of the common elements. Things like interior finishes, appliances and cabinetry would form part of the unit.

Phased Condominiums

In a [phased condominium corporation](#), units and common elements are built and registered in stages. It is a single complex that keeps growing, as more units and common elements are added to it. Upon completion, it becomes a standard freehold condominium.

Vacant Land Condominiums

In a [vacant land condominium corporation](#), units are vacant lots rather than apartments or townhouses as in a standard condominium. The common elements for vacant land condominiums are typically things like roadways, sewer systems, and/or amenities such as parks or recreation facilities.

The Declarant (developer) can sell the vacant lots or build homes on the lots and then sell the lots with homes to purchasers. The declaration can impose limits on the buildings that may be built on the lots.

The condominium corporation maintains the common elements or roadways.

When homes are built, owners are responsible for all maintenance and repair. In this case, the exterior walls, roofs and any heating and cooling equipment serving the house would be the responsibility of the unit owner.

Common Elements Condominiums

This type of condominium corporation **does not** have units, it only [has common elements](#). Owners purchase a part of a common element (for example, a community park). The common elements are associated with existing land.

Common element condominiums can be as simple as a golf course or a recreational facility.

Owners of this type of corporation pay the operating costs of the common elements.

2. Leasehold Condominiums

In a [leasehold condominium](#), the corporation and unit owners do not own the land upon which the condominium is built but rather lease it, usually over a relatively long term (commonly 99 years) from another owner that is not the condominium corporation. A unit in a leasehold condominium may be more affordable because the land cost component is lower. However, this type of condominium is not very common.

Knowledge Check 2-4

True or False?

The Condominium Act, 1998 does not apply to some types of condominiums in Ontario.

Module 3: The Legal Framework Governing Condominiums

3.1 Summary

This module describes the documents that apply to and govern condominiums and explains the purpose of the documents.

3.2 Learning objectives:

Upon completion of this module, you should be able to describe:

- the purpose of the Condominium Act, 1998, declaration, by-laws, rules, and policies;
- how these documents govern condominiums;
- how these documents are amended; and
- other pieces of legislation that affect how condominiums are run.

3.3 Governing documents

A set of legal and policy documents govern condominiums, including:

- Condominium Act, 1998 (“the Act”)
- Declaration
- By-laws
- Rules
- Policies

If two of these documents conflict, the “higher” document governs. The Act, however, takes precedence over all other documents. In addition, there are other pieces of legislation that affect how condominiums are run. These acts are referred to later in this module.

Condominium Act, 1998

[The Act](#) governs all condominiums in Ontario. The legislation is designed primarily to promote consumer protection. The Act sets out minimum standards for:

- purchasing condominiums;
- maintaining insurance;
- maintenance and repair; and

- financial and administrative responsibilities.

The Act includes regulations related to enforcement and related processes and also sets out the rights and responsibilities of condominium directors.

Declaration

The [Declaration](#) (together with the [Description](#)) is the legal document that, when registered on title, creates a condominium corporation. It cannot contradict the Act. ([Ontario Regulation 49/01](#) under the Act provides more details on the requirements for the Description).

The [Declaration](#) is prepared by the condominium developer. Each condominium corporation has one Declaration.

The Declaration identifies:

- provisions regulating the use of the units (such as prohibiting short term rentals) and common elements;
- number and types of units;
- boundaries of the units;
- common elements that are reserved for the exclusive use of a unit;
- proportionate interest of each unit;
- percentages used to calculate monthly common expenses; and
- other conditions and obligations, including repairs and maintenance duties

The Declaration may be [amended](#) with the written consent of 80% or 90% of unit owners, depending on the type of amendment. The Act describes the process of making a change to the Declaration and specifies whether 80% or 90% approval is required.

The Declaration can also be amended by a court order if the proposed amendment relates to correcting an error or inconsistency.

Condominium by-laws

[By-laws](#) deal with matters of corporate governance and management. By-laws must be reasonable and consistent with the Declaration and the Act. The board of directors may make by-laws to:

- set out how common expenses are paid and collected;
- regulate the Board of Directors, including increasing the number and quorum (the minimum number of members required to be present) of board members, requirements to act as a director, and board functions;

- govern the maintenance of the units and common elements; and
- govern the conduct of the corporation's affairs.

A condominium may also have by-laws related to cost sharing, easements, and other duties not covered by the Act or Declaration.

The developer (or the Declarant) typically enacts the condominium's first by-laws. The board of directors may make, amend, or repeal by-laws. Generally, by-laws are first passed by a resolution of the board of directors and then must be approved by owners representing more than 50% of the units. (See [Ontario Regulation 48/01](#) for exceptions to this requirement.)

Obtaining the support of this many unit owners for by-law changes can be difficult. It is important for boards to communicate the purpose and importance of any by-law changes to support the smooth functioning of the condominium.

Any new or amended by-law does not come into effect until the condominium corporation registers a certified copy of the by-law with the land registry office.

By-law examples

The following are examples of by-laws that are in place in many condominiums:

- **General Operating By-law** – may also be referred to as by-law # 1, sets out the basic organizational and administrative functions of the condominium.
- **Standard Unit By-Law** – establishes the standard unit for the purpose of determining who insures what. The standard unit definition describes which parts of the unit are covered by the condominium's insurance policy vs. the unit-owner's policy.
- **Insurance Deductible By-law** – sets out the circumstances under which the condominium corporation can transfer the obligation to pay an insurance deductible to a unit owner.
- **Occupancy Standards By-law** – limits the number of individuals who may reside in each unit.
- **Borrowing By-law** – authorises the Board of Directors to borrow money on behalf of the condominium.
- **Dispute Resolution By-law** – establishes procedures for the resolution of disputes between the condominium and owners.

There are many other by-laws a condominium may have, including cost sharing, easements and other duties not already covered by the Act or declaration.

Condominium rules

[Rules](#) define how the units and common elements can be used. Rules can also define the standards of behaviour for the community. Rules must be reasonable and consistent with the Act, declaration, and by-laws. Rules may only be passed to:

- promote the safety, security or welfare of owners or property; and/or
- prevent unreasonable interference with the use and enjoyment of the units and common elements

Enacting and amending rules

Rules are easily passed and amended. To pass or amend rules, the new rules must be approved by the board of directors and distributed to all unit owners. New rules or amendments are effective 30 days after being distributed to unit owners, unless owners requisition a meeting to vote on the rules. If the board calls the requisition meeting and a quorum is not present, the rules go into force. If a quorum is present, then a vote can be held.

Rule Examples

- Prohibition of excessive noise or other nuisances
- Prohibition of certain types of vehicles from being stored on condominium property
- Restrictions on the number and types of pets permitted in residential units
- Prescribed uses of recreational amenities, such as swimming pools
- Restrictions on residents' abilities to smoke on the common elements or inside of units
- Use of elevators for moving

Condominium policies

Policies set operational processes. Policies cannot contradict the Act, the Declaration, by-laws or rules.

Policies commonly regulate:

- Party room booking procedures and fees
- Hours of use for amenity spaces

- Procedure owners must follow when a water leak has occurred
- Procedure for collecting fees and arrears
- Heat on/air conditioning off schedule

Policies can be created and amended by the board of directors at a meeting. Owners do not need to approve or be notified of new policies or policy changes. However, it is good practise to advise owners and residents of policy changes.

Knowledge Check 3-1

A condominium's by-laws state that the board of directors shall have three members. The three-person board is overwhelmed and decides more directors are needed. The board passes a by-law increasing the number of directors to five. Is the by-law valid immediately?

- No. By-laws are not valid until owners of more than 50% of units approve the change and the by-law is registered with the land registry office.
- Yes. The directors are in charge and can do whatever they want.
- Yes. The approval of owners is not required where the by-law changes are necessary for the condominium to function properly.

Knowledge Check 3-2

For each of the five statements below, select the correct answer from these options:

- Condominium Act, 1998;
- Declaration;
- By-laws; Rules;
- Policies

- The _____ is the legal document that, when registered on title, creates a condominium corporation.
- The _____ governs Ontario condominiums and is designed first- and- foremost as consumer protection.

3. _____ define how the condominium operates (for example, a party room booking).
4. _____ outline the standards of behaviour for the community (for example, excessive noise).
5. _____ deal with matters of corporate governance and management.

Knowledge Check 3-3

True or False?

The Condominium Act, 1998 takes precedence over all other governing documents.

3.4 Additional pieces of legislation

In addition to the Condominium Act, 1998, there are other pieces of legislation that directors should be aware of, and which affect how condominiums are run. Here are a few important pieces of legislation to note:

- Ontario Human Rights Code (“the Code”)
- Occupiers’ Liability Act (OLA)
- Occupational Health and Safety Act (OHSA)
- Employment Standards Act, 2000 (ESA)
- Personal Information Protection and Electronic Documents Act (PIPEDA)
- Residential Tenancies Act, 2006 (RTA)

Ontario Human Rights Code (“the Code”)

All condominiums are subject to the [Ontario Human Rights Code](#) which prohibits discrimination against a person in respect of employment, accommodation, and services. The Code distinguishes between direct and indirect discrimination.

Direct discrimination

This type of discrimination occurs when an action, rule or practice discriminates against an individual on the basis of a prohibited ground. The prohibited grounds of discrimination include:

- Age
- Race
- Sex and sexual orientation
- Ancestry
- Citizenship
- Ethnic origin
- Place of origin
- Creed
- Colour
- Disability
- Family status;
- In housing only
- Marital status;
- Gender identity;
- Gender expression;
- Receipt of public assistance
- Record of offences (in employment only)

Indirect discrimination

Indirect discrimination can occur if the action, rule, or practice is not itself discriminatory, but has the effect of discriminating against someone on the basis of a prohibited ground.

For example, while a rule that prohibits pets in a condominium is not discriminatory, it may have the effect of discriminating against someone who requires a service animal due to a disability. In such cases, the condominium may accommodate the individual by allowing the service animal to reside on the premises.

A condominium is required to accommodate people with disabilities, short of undue hardship. This may mean, for example, that a condominium may be required to install automatic door operators at the entrance of the building for residents who may have a mobility challenge.

Occupiers' Liability Act (OLA)

Under the Condominium Act, 1998, the condominium corporation is the “occupier” of the common elements of the condominium. Under the [Occupiers' Liability Act](#), the “occupier” of a property must take reasonable care to ensure that persons entering the premises are reasonably safe while on the premises.

This means that a condominium should take reasonable and regular precautions to ensure the premises are safe. The corporation should also keep adequate

records to demonstrate what maintenance, cleaning or inspections have taken place.

Occupational Health and Safety Act (OHSA)

A condominium is a place of work for many people, from condominium managers to contractors to cleaning staff. The [OHSA](#) imposes obligations on employers to ensure that people working on the premises have a safe working environment.

- If a condominium has employees, it has an obligation to post a health and safety policy (updated annually), a copy of the OHSA, and a poster describing the rights and responsibilities of the workers with respect to safety.
- Material safety data sheets for any chemical that the employee is required to use (including cleaning products) must be posted. There are also training requirements set by the OHSA.
- Any safety equipment or training needed for employees to carry out work must be provided by the condominium.

The OHSA also applies to contractors working at a condominium property and the condominium is responsible for their safety in relation to their work. A condominium must also create policies and procedures in relation to workplace violence and harassment, including sexual harassment.

The workplace violence policy must include, among other things, measures and procedures to control the risks. The workplace harassment policy must also include measures and procedures for workers to report incidents of workplace harassment to the employer or supervisor (or to another person if the complaint involves the employer or supervisor), and how complaints will be dealt with.

Employment Standards Act, 2000 (ESA)

As an employer, the condominium is also subject to the [Employment Standards Act, 2000 \(ESA\)](#). The ESA sets out minimum standards in employment for such things as wages (minimum wage), overtime, notice of termination, severance, vacation and vacation pay, and mandatory unpaid leaves of absence.

Personal Information Protection and Electronic Documents Act (PIPEDA)

The [Personal Information Protection and Electronic Documents Act \(PIPEDA\)](#) is federal legislation that applies to all private sector organizations involved in commercial activity. PIPEDA governs how personal information may be collected, used, stored and disclosed. In general, information collected can only be used for “purposes that a reasonable person would consider appropriate in the circumstances.” For example, this means that personal information that is collected to send notices to unit owners cannot be given to a company looking to sell products to these owners, without their explicit approval.

In most cases, the person's consent is required before disclosing their personal information. However, there are exceptions. For example, personal information may be disclosed about someone in an emergency situation.

Residential Tenancies Act, 2006 (RTA)

From time to time, owners in a condominium may decide that they want to rent out their units. In addition to any provisions in your declaration, by-laws or rules that your condominium may have dealing with the renting of units, owners must also comply with the [Residential Tenancies Act, 2006](#) (RTA). The RTA is provincial legislation that applies to all residential tenancies in Ontario.

Renting in a condominium can be complicated, as owners will have obligations under both the Condominium Act, 1998, and the RTA. If owners in your condominium are renting out their units, it is important that they are aware of both pieces of legislation and comply with both sets of obligations. As a director, you are only responsible for ensuring compliance with the requirements of the Condominium Act, 1998. However, it may be helpful to communicate to owners that they must comply with both.

Knowledge Check 3-4

True or False?

A condominium is not required to accommodate people with disabilities.

Module 4: The Role of Directors and Their Key Responsibilities

4.1 Summary

This module provides information about the roles and responsibilities of condominium corporation directors.

4.2 Learning objectives

Upon completion of this module, you should be able to:

- describe the role of a director; and
- explain the statutory obligations and corporate governance principles that guide directors.

4.3 Becoming a director

A condominium corporation is created under the Condominium Act, 1998. Each condominium has a [board of directors](#) that is responsible for managing the affairs of the corporation.

Basic requirements

[Section 29](#) of the Act outlines the basic requirements for becoming a director in Ontario. Directors must be a person who is at least 18 years old. To be a director, one must not have:

- a status of bankrupt;
- been found to be incapable of managing property;
- found incapable by a court; or
- Failed to comply with the mandatory candidate disclosure obligations.

Disqualification

A director who meets the qualifications criteria set out in the Act when elected could be [immediately disqualified](#) from the position for reasons set out in the Act, such as:

- found to be bankrupt or incapable of managing property;
- has a certificate of lien registered against the director's unit (if an owner) that is not discharged within 90 days; and
- fails to complete the mandatory training for directors within six months of becoming a director;
- They fail to comply with the mandatory director disclosure obligations.

Disclosure obligations

Under the Act, directors must [disclose](#):

- If they or a member of their family (spouse, child, parent or in-laws) are a party in a legal action with the condominium or if an occupier of their (or their spouse's) unit is involved in a legal action with the condominium. The disclosure must include: a statement of facts; the name of the spouse, child or parent, where relevant; and, a brief general description of the action.
- If they have been convicted of an offense under the Act or the regulations in the preceding ten years. Disclosure consists of providing a statement and a brief description of the offence.
- If they have a personal interest (directly or indirectly) in a contract or transaction, including a proposed contract or transaction, they must provide a statement of fact related to the interest, and a statement related to the nature of the interest. Similarly, the director must declare any personal interest in a contract or transaction where the declarant is a party to the contract and recuse him or herself from the discussion.

Additional by-law requirements

The condominium's by-laws may also create additional requirements and reasons for disqualification. For example, by-laws may require that a person must own a unit to be a director. By-laws can also require that directors attend a certain number of meetings or else they forfeit their position on the board.

4.4 Legal obligations & the role of the director

The board of directors is responsible for [managing the affairs](#) of the condominium. These include:

- managing the property and the assets of the condominium on behalf of all the owners; and
- taking all reasonable steps to ensure that the owners and occupiers and lessees of common elements, as well as agents and employees of the condominium comply with the Act, the declaration, by-laws and rules.

The Act requires that the board enforce compliance with the condominium's governing documents and the Act. This should be done fairly, consistently and transparently.

4.5 Board-Level Responsibilities

Director functions

These are some examples of important functions that you will be asked to perform as a condominium director:

- Preparing and maintaining an adequate budget including an adequate reserve fund
- Ensuring monies are held in trust and invested properly
- Keeping required records and making them available for review
- Obtaining proper insurance
- Calling and providing notice for owners' meetings
- Making rules in accordance with the Act
- Selecting and overseeing a condominium manager (if the condominium property is managed by an external party) for one or more services such as maintaining the property and common elements, collecting common expenses and assisting the board in ensuring compliance with Act, declaration, by-laws and rules
- Selecting contractors/consultants for major maintenance, repair or replacement projects

Prohibitions

[Section 32](#) of the Act states that the board shall not transact any business of the corporation, except at a meeting of directors where a quorum (i.e., majority of the

board) is present. A proxy cannot be sent to a board meeting; the directors themselves must attend.

The board can't fine an owner or tenant for breaking the rules but can request that the corporation be reimbursed for the [costs related to enforcement](#). For example, if there are repeated violations and the person has not responded to polite requests to change their activity, then a legal enforcement letter may be sent. The cost of this letter can be charged to the unit.

Knowledge Check 4-1

Who makes decisions about major repairs and maintenance, like when to replace the roof and how much to spend on the work? Is it...

- a. The condominium manager;
- b. The board of directors;
- c. The condominium's engineers;
- d. All of the above

4.6 Expectations of a director

A director is expected to:

- exercise reasonable care, diligence and skill;
- act honestly and in good faith; and
- follow a code of ethics.

Exercising reasonable care, diligence and skill

The requirement for a board member to “exercise the care, diligence and skill that a reasonably prudent person would” is based on the common-law standard of competency for corporate directors. It means that you must exercise the degree of care that a similarly situated director facing similar circumstances would exercise.

In general, this means having regular board meetings, reviewing financial information, making informed decisions (which may require asking questions or seeking additional information where necessary), taking proactive measures to

ensure the corporation complies with the Act and properly maintains the property and common elements, and seeking professional guidance where required.

[Under s. 37\(3\) \(a\) and \(b\)](#) of the Act, directors will not be found to be in breach of their duties of honesty and due diligence if they rely, in good faith on:

- financial statements that are prepared by an auditor, officer of the condominium, or condominium manager; and
- a report or the opinion of a lawyer, accountant, engineer, appraiser or other individual whose profession and lends credibility to their report or opinion.

In general, directors should seek the advice of a professional whenever a decision requires interpretation of information that is beyond their expertise. For example, if a potential safety hazard is brought to the board's attention, it is best to consult an engineer or other building professional to advise how to correct the problem.

Acting honestly and in good faith

Acting honestly and in good faith means making decisions based on what you honestly believe are in the best interest of the condominium. As a director you owe what is known as a “fiduciary duty” to the condominium. A fiduciary is someone who is legally and ethically bound to act in another’s best interest.

Fulfilling your fiduciary duty means you cannot place your own interests ahead of the condominium's. For example, a board member may be called on to approve a fee increase, even if the fee increase would adversely affect them.

If a board member finds themselves in a conflict-of-interest situation when making a decision, in most cases, they must recuse themselves from the meeting while that decision is being made. For example, if a decision was being made about a contract, and one of the firms bidding on the work employs a family member of one of the directors, then that director cannot be present during the discussion or vote on the decision. For clarification on what is a conflict of interest, see [section 40](#) of the Act.

Following a Code of Ethics

Many condominiums have a by-law or policy that outlines a board’s code of ethics. A code of ethics typically governs matters including avoiding conflicts of interest, duty of confidentiality, conduct at board meetings toward other members of the board and re- stating the standard of care expected of directors in the fulfillment of their duties.

Knowledge Check 4-2

Please select the correct answer. A director should:

- a. Make important decisions for the condominium based on personal preference and instinct;
- b. Make decisions based on the best interest of the condominium after reviewing the facts of the decisions and receiving professional advice; or
- c. Make decisions based on the best interest of owners who voted for him or her.

4.7 Elections & governance

There are certain electoral rules that a condominium must follow. They cover:

- 1. Election process and term
- 2. Removal prior to expiry of term
- 3. Vacancy
- 4. Board recruitment and succession planning

Election process and term

Under [section 42](#) of the Act, within ten days after the registration of the Declaration and Description, the declarant shall appoint the [first board of directors](#) for the corporation which shall hold office until a new board is elected by unit owners at a turn-over meeting.

In addition to being elected by a vote of owners at a turn-over meeting, directors are elected at an annual general meeting; at a requisition meeting called by the owners for the purpose of removing directors and electing new directors; or, at a meeting called specifically for an election due to a loss of quorum.

Under the Act, directors are elected for a standard term of no more than three years. They may continue to act after their term is finished until a successor is elected. They may be re-elected to subsequent terms if permitted by the by-laws of the condominium.

To avoid directors' terms ending at the same time, terms are typically staggered. For example, directors can be elected for one-year, two-year or three-year terms.

In this case, only one or two directors are elected at an annual general meeting. Director terms are usually set out in by-law 1, which covers general operations of the corporation.

Removal of director prior to expiry of term

There are circumstances where a director may be [removed from office](#) prior to the completion of his or her term. For example, a person may immediately cease to be a director due to the reasons for disqualifications set out in [subsection 29\(2\)](#) of the Act or the corporation's by-laws.

A director may also be removed from office by vote of the owners at a requisitioned owners' meeting. While the Act does not list the reasons for which owners can request for a director to be removed, at least 15% of the owners must sign the request to hold the meeting to remove a director.

Vacancy

If a [vacancy](#) arises on the board, and a quorum of the board remains, the remaining directors may:

- continue to govern the corporation with the remaining directors until the next annual general meeting; or
- appoint someone who meets the qualifications set out in [29\(1\) of the Act](#) to fill the position until the next annual general meeting.

If the quorum of board members is lost, a meeting must be called within 30 days. This meeting must be called by the remaining directors or by an owner.

Board recruitment and succession planning

It is important to plan for vacancies on your board (for example, when a board member's term is coming up or retires) to ensure there is always a sufficient number of directors to conduct business. With some foresight, proper succession planning is possible.

Often, condominiums will have several types of committees that are active in the community. For example, many condominiums have committees to oversee social activities and to promote communications, such as newsletters. Owners who volunteer at the committee level are often excellent candidates to recruit for a role on the board.

Different strategies can be used to recruit board members. While many owners might not respond to a general request to be on the board, many might give

serious consideration to a personal invitation. Board members should always be on the lookout for owners who make genuine contributions to the condominium – especially those with experience in finance, management, engineering or experience on other boards.

If a board is interested in recruiting a potential candidate, it can extend an invitation to that candidate to attend a portion of the board meeting (when confidential information is not being discussed). This will give the potential candidate some information about the role and work of a board member.

A board should inform prospective candidates about the requirements of serving on the board and the expected time commitment. This will provide candidates with a realistic expectation of what the role entails.

Knowledge Check 4-3

For each of the 3 statements below, select True or False.

1. A majority of owners must sign a meeting request to vote for the removal of a director.
2. If a vacancy arises, but a quorum remains, the directors may continue to govern as usual.
3. There is no benefit to staggering the terms of directors.

Module 5: Board Meetings

5.1 Summary

This module provides directors with important information on how to run board meetings.

5.2 Learning objectives:

Upon completion of this module, you should be able to:

- describe directors' roles and responsibilities with respect to board meetings
- describe the general rules of conduct for directors at board meetings
- understand procedural requirements for preparing and holding board meetings.

5.3 Effective board meetings

Owners elect a board of directors to oversee the business affairs of the condominium corporation. The board of directors must ensure the corporation is run in compliance with the Condominium Act, 1998 (the "Act").

A board of directors meets regularly to conduct condominium business. The Act does not specify how many meetings a board of directors must have. Meetings typically occur once a month, though they can happen more or less frequently. The frequency of meetings depends on the size of the community and the number of items that need to be addressed.

Notice of board meetings

The person calling a meeting of directors shall give a written [notice of the meeting](#) to every director of the corporation:

- at least 10 days before the day of the meeting, unless the by-laws specify otherwise; and
- by delivering it to the director personally or by sending it by prepaid mail, courier delivery or electronic communication addressed to the director at the latest address as shown on the records of the corporation, unless the by-laws specify otherwise.

The notice shall state the time and place of the meeting and the general nature of the business to be discussed at the meeting. Additionally, the notice will state whether directors may attend the meeting in person or by telephonic or electronic means and provide instructions to participate and vote at the meeting.

For reference, the Condominium Act, 1998 (the “Act”) defines telephonic or electronic means as any means that uses the telephone or any other electronic or other technological means to transmit information or data, including telephone calls, voice mail, fax, e-mail, an automated touch-tone telephone system, computer or computer networks.

Some tips for holding effective board meetings

- Have an agenda;
- Circulate the meeting documents package in advance of the meeting so that everyone can prepare for the discussion. The package of materials should include:
 - agenda
 - minutes of the last meeting (for approval);
 - current financial statements;
 - manager’s report;
 - copies of any bids on contracts; and
 - any correspondence addressed to the board.
- Take minutes at every meeting. Minutes are not a word-for-word transcript of what was said at the meeting, but instead should show the issues discussed, clearly capture the resolutions relating to them, and identify the need for action plans or required follow up; and
- Distribute minutes as soon as possible after the meeting. At the next meeting, the minutes should be approved by the board.

5.4 Rules of board meetings

While in a board meeting, condo directors or board members should observe certain general rules of conduct as required by by-law and, in some situations by an additional code of ethics signed by each director.

The following are some examples of general rules that may apply to how board meetings are conducted:

Maintain confidentiality – individual condo directors should not disclose to any person information decided by the Board which would reasonably be deemed confidential. This includes the opinion of another director should not be discussed with unit owners or residents.

Support for board decisions – directors should support board decisions outside of the board, even if they do not agree with those decisions.

Declaring a conflict of interest – any condo director that has a conflict of interest with respect to a matter must state their conflict and remove themselves from discussion of that matter, and any related voting. A conflict of interest can occur if the person has a real or perceived personal, financial or other interest in the decision that is being made.

5.5 Board Meeting Procedures

Board Meetings

Subject to the by-laws, a board meeting may be held by telephonic or electronic means, in person, or any combination of the three.

Any electronic or telephonic methods used to hold board meetings must provide the directors with the ability to communicate with each other simultaneously and instantaneously.

By-laws

Each condominium corporation may have by-laws to regulate various aspects of conducting board meetings. These provisions may:

- Determine the frequency for how often board meetings must be held (ex. monthly or quarterly).
- Limit the methods of holding board meetings by telephonic or electronic means.
- Specify requirements that apply when conducting a board meeting by telephonic or electronic means.

Quorum

The board shall not transact any business of the corporation except at a meeting of directors quorum is present. Quorum is defined in section 32 (2) of the Act as a majority of the total number of board members irrespective of any vacant positions on the board.

Directors who attend board meetings by telephonic or electronic means will also count towards quorum.

Knowledge Check 5-1

True or False?

The Condo Act specifies how often board meetings are held.

Knowledge Check 5-2

True or False?

Quorum of the board is required to transact any business of the corporation at a board meeting.

Module 6: Obligations Regarding Corporate Records

6.1 Summary

This module provides basic information the board's obligations with respect to corporate records.

6.2 Learning objectives

Upon completion of this module, you should be able to:

- describe the types of corporate records that the condominium must keep
- describe the requirements related to the retention periods for corporate records
- describe the process, timing and costs for providing access to corporate records

6.3 Types of records that must be maintained

The condominium corporation must keep adequate records. This includes keeping the following records as required by [section 55](#) and the [regulations](#) under the Condominium Act, 1998 ("the Act"):

- Financial records
- Meeting minutes for board meetings and owners' meetings
- Declaration, by-laws, rules
- Condominium Authority of Ontario returns and notices of change
- Items required to be turned over by the declarant, including:
 - performance audits
 - record of owners, record of leases; and
 - reserve fund studies and board funding plans
- Agreements entered into by the condominium or on behalf of the condominium
- Court-appointed inspector's reports (if any)
- All proxies and ballots for a meeting of the owners that are submitted at the meeting
- Status certificates issued
- Director disclosure and training related information
- Employee records

- Records relating to actual or contemplated litigation
- Records relating to claims under an insurance policy
- Existing and expired warranties
- Reports and opinions of architects, engineers and others
- Drawings and plans of the condominium's real and personal property
- Reports and opinions of an appraiser
- Records relating to the rights, title, interest, encumbrance or demand affecting the land of the condominium
- Records relating to modifications to common elements and assets
- All instruments appointing a proxy for a meeting of owners
- A record of recorded votes at a meeting held by telephone or electronic means
- A copy of all agreements entered into by or on behalf of the condominium that have expired
- A copy of all insurance policies current and expired
- A copy of redacted versions of a record required to be kept by the Act or the regulation

6.4 What records must be received at the turn-over meeting?

There are a number of records that the board should have received from the developer at the turn-over meeting or shortly after ([section 43 of the Act](#)), including:

- The seal of the condominium corporation
- The minute book for the condominium including a copy of the registered declaration, registered by-laws, current rules and minutes of owners' meetings and board meetings;
- Copies of all agreements entered into by the condominium or the declarant or declarant's representative on behalf of the condominium including management contracts, deeds, leases, licenses and easements
- Insurance policies and certificates, including expired policies
- Bills of sale related to assets of the condominium
- Information about owners and their units and owners' address for service as well as mortgagee information and about leased units
- Records related to units or to employees of the condominium
- Warranties, guarantees, detailed drawings and specifications and any changes from the as-built specification
- Proof of enrolment in the Ontario new home warranties plan, and the final inspection reports on common elements (Performance Audit)
- Table of repair and maintenance obligations

- Schedule of what constitutes a standard unit for each class of unit for purposes of determining responsibility for repairs and improvements after damage and insurance
- All financial records of the condominium relating to the operation of the condominium
- Reserve fund studies depending on the timing of the turn-over meeting
- A copy of the most current disclosure statement given to purchasers.

6.5 Categories of records

There are two categories of records:

Core records

Key corporate documents including: the declaration, by-laws, and rules as well as the budget, financial statements, minutes, reserve fund plan and record of owners and mortgages and anything else that the by-law may specify.

Non-core records

Any records not identified as a core record under the Act, such as maintenance contracts, utility bills and employee information and any other records the corporation must keep.

6.6 Record retention

Directors are accountable for ensuring that core and non-core records are kept for appropriate periods of time.

Retention periods

For the majority of records, the corporation [must keep them](#) for a period of 7 years

For fundamental corporate records, such as the corporate seal and the declaration, there is no time limit. These must be kept in perpetuity.

Boards should check the Act and regulations for information on the specific retention period for each type of record.

If a document is required by a by-law, the by-law will also specify the retention period.

Retention periods - extensions

Retention periods may be extended in some circumstances. If there is a current dispute or request to review records; for example, if there is a question regarding the proxy forms or ballots, then the records must be kept if the requester takes the necessary steps to pursue their request or the dispute.

Retention requirements

Records may be maintained in either [paper or electronic format](#).

Paper records are to be stored either on the condominium property or an appropriate location for record storage; for example, at the condominium management provider's or condominium manager's place of business.

Electronic records must be capable of being reproduced, include a password or other protection against unauthorized use and be automatically backed up and recoverable (or other reasonable protection against information loss).

Process for accessing records

These [new rules for accessing records](#) apply only to requests for records that are made to the corporation on or after November 1, 2017. Requests made before November 1, 2017 must follow the process under the previous legislation.

A requester (owner, purchaser or mortgagee) is NOT required to provide the condominium with a statement of the purpose of the request. The regulations specify a four-step process that must be followed for making and responding to a request.

Step 1: The request

A request must be sent to the board using the standardized form. The request must identify the records the requestor is looking for and whether they want to receive the records electronically or in paper format. If the requester wants them in paper, the requester can choose to examine them, pick them up, or have copies delivered.

Step 2: The board's response

The board must respond to the request using the standardized form within 30 days. The response must have an index of the records that the requestor has requested and with respect to each record: a description; an indication if it is a core or non-core record; whether the request is approved or not, and reasons why not including the section of the Act or regulation on which the decision is based; any fees that will be charged for examining or receiving a copy of the record; and where it can be examined or the copy obtained.

Step 3 - The requester's response

If the board approves a request, the requestor must in most cases return the form to the board, confirming which records they wish to access along with payment of any applicable fee.

Step 4 - Access and accounting

The board provides access to the records, including the actual costs incurred. Each copy of a record that is available for examination or delivered must be accompanied by a separate written document addressed to the requester. This document must identify the record that is being provided, the reason for any redactions if portions of the record are not being disclosed, and actual costs incurred by the condominium in making the copy available or delivering it.

Disputes regarding records requests that were made on or after November 1, 2017, can be filed with the [Condominium Authority Tribunal \("the CAT"\)](#). More information on the CAT is available in another module.

Disputes regarding records requests that were made **before** November 1, 2017, can be filed in small claims court. If the requester wishes to file a case with the CAT, they must make a new request for the records to the condominium on or after November 1, 2017.

Knowledge Check 6-1

True or False?

1. Core records are only those documents stipulated in a condominium's by-laws
2. Corporate records must be kept for a minimum of 10 years

6.7 Timing and costs for access to records

For [all record requests](#), a condominium may only charge fees as determined in accordance with the regulations. The fees must be a reasonable estimate of the amount required to reimburse the condominium for its costs in making a record available for examination or delivering a copy. These costs include printing, photocopying and labour charges. Printing and photocopying can't be more than 20 cents per page.

The timing and costs for accessing records differs depending on:

- whether the records are core or non-core records; and,
- the form in which the requester agrees to have the records delivered.

There are some additional requirements for both core and non-core records:

Core records

If the request is to receive **electronic copies** of [core records](#), the condominium must deliver electronic copies (or paper copies, if the condominium does not have electronic ones) at no cost to the requester within 30 days of receiving the request for records (at the same time the board deliver's its response form)

If the request is to receive **paper copies** of a core record, then the copies must be delivered or made available for pick up within 7 days of receiving the requester's response and payment of the fee for paper format, and the condominium may only charge printing and photocopying costs

If the request is to **examine a core record**, the condominium must make it available to the requester to examine within 7 days of receiving the requester's response and payment of the fee for examination. The condominium may only charge labour costs for the examination time, and printing and photocopying costs if requested during examination.

Non-core records

If the request is for [non-core records](#), access must be given within 30 days from the requester's response and payment of any applicable fee.

Access can be given electronically if the requester agrees. Otherwise, a copy could be made available in paper format. Requesters can also choose to examine records in person

The condominium can only charge a fee for labour (for example, for redactions if allowed or required) or for delivery of the records.

The fee must be reasonable. The requester will reimburse the condominium for the actual costs incurred in providing access to non-core records.

For printing/photocopying costs, the condominium can charge a maximum 20 cents per page

6.8 Right to restrict access

The board shall not provide access to:

- Records relating to employees except for contracts of employment with the condominium;
- Records relating to specific units or owners (however, owners can access records relating to themselves or their specific units);
- Email addresses if owners or mortgagees have not consented to have them shared; and
- Any portion of a ballot or proxy form that identifies specific units in a condominium, unless a by-law provides otherwise.
- In addition, there are records which the board may choose not to disclose, such as:
 - Records relating to actual or pending litigation or insurance investigations involving the corporation; and
 - Opinions provided by lawyers or licensed paralegals.

Note

The Condominium Authority Tribunal can impose a penalty up to a maximum of \$5,000 if, without reasonable excuse, a condominium does not permit an owner, a purchaser, or a mortgagee of a unit or their agent to access the records they are authorized to access.

Knowledge Check 6-2

The Board receives a request to access the records of the condominium from a unit owner. The requester specifies that she wishes to obtain a copy of the 2017 fiscal year budget (a core record). The estimated cost to make paper copies is \$20. The requester agrees to delivery in electronic format. The board may require that the requester pay:

- a. \$20
- b. A reasonable fee
- c. No fee

Knowledge Check 6-3

Please choose which of the following a requester is not entitled to access under any circumstances:

- a. An opinion from a lawyer to the corporation regarding a specific unit.
- b. The records relating to an employee's parental leave.
- c. The portion of a ballot identifying a specific unit owner
- d. All of the above

Module 7: Information Certificates

7.1 Summary

This module provides basic information about newly introduced information certificates under the Act.

7.2 Learning objectives

Upon completion of this module you should be able to:

- Describe the board's obligations regarding information certificates;
- Describe the purposes of the different information certificates; and
- Describe the requirements for providing information certificates to owners.

7.3 What is an Information Certificate?

As of November 1, 2017, condominiums have an obligation to provide information certificates to owners. The information certificates must be in the form prescribed under the Condominium Act, 1998 ("the Act")

Information certificates provide owners with important information about various aspects of the corporation's affairs.

There are three types of information certificates:

1. Periodic information certificates (PIC)
2. Information certificate updates (ICU)
3. New owner information certificates (NOIC)

The PIC includes all the information about the condominium that is important to owners. The other two certificates (ICU and the NOIC) are based on the PIC.

7.4 Periodic Information Certificates (PICs)

The PIC is designed to include information on the condominium that it already has available and based on information that is already contained in status certificates prepared for purchasers.

Regulation 48/01 under the Act requires that a PIC be current as of the last day of the quarter before it is sent out. Specifically, according to [section 11.1 \(4\)](#) of the regulation, PICs are to be sent at a minimum twice annually as follows:

- Within 60 days of the last day of the first quarter of the condominium's current fiscal year; and
- Within 60 days after the last day of the third quarter of the condominium's current fiscal year or, more frequently, if approved in the condominium's by-law.

Information to be included in a PIC

Information currently found in status certificates

- A PIC should include the following information currently found in status certificates:
- The address for service of the condominium;
- The names and address for service of the directors and officers;
- A statement of all outstanding judgments against the condominium and the status of legal actions to which the condominium is a party
- A certificate or memorandum of insurance for each of the current insurance policies

Additional information included in a PIC

The PIC must also include the following information:

- A statement identifying directors and noting:
 - any legal action or where they have been a party in a legal action that resulted in a judgment against the corporation;
 - any common expenses fees in arrears for more than 60 days; and
 - whether they have completed the director training required under the Act.
- The number of leased units that have been reported to the corporation;
- A copy of the corporation's budget, any surplus or deficit, the balance of the reserve fund at the beginning of the fiscal year, as well as annual contributions; anticipated expenditures and planned increases
- A corporation's failure to pay its annual fee to the Condominium Authority of Ontario and any related compliance orders.

7.5 Information Certificate Updates (ICUs)

[Information certificate updates \(ICU\)](#) must be sent to owners when certain changes occur within the condominium. Generally, the board must send out the information certificate update within 30 days of the change, unless the matter relates to a vacancy on the board which results in a loss of quorum. In that case, a board must send out the ICU within 5 days.

The following changes that trigger the issuing of an ICU to all owners:

1. A change in the address for service of the condominium or the directors and officers (must be issued within 30 days of the change);
2. Any change in the directors or officers (must be issued within 30 days);
3. Any change in the name and address for service of a condominium management service provider (firm) or condominium manager or any other person responsible for the management of the property (must be issued within 30 days);
4. Any change to the insurance deductible that would lead to any increases to the common expenses fees or termination of any insurance policy that the corporation is required to maintain (must be issued 30 days or as soon possible if an insurance policy has been terminated);
5. A statement of the fact that there are vacancies on the board that have led to a loss of quorum (must be issued within 5 days and request that any individuals who intend to be a candidate for election to a vacancy notify the remaining members of the board within 5 days of date of the ICU);
6. Any other information the condominium's by-laws require be provided as an update in the information certificate (timelines as specified in the by-laws).

7.6 New Owner Information Certificates (NOICs)

A [new owner information certificates](#) or NOIC must be sent to new owners within 30 days of becoming an owner, or as soon as possible.

All new owners must notify the condominium of their name(s) and the unit(s) they own so that the condominium can update its record of owners and mortgagees.

Once this information is received by the condominium the NOIC should be provided to the owners within 30 days and include the following information:

- A copy of the most recent periodic information certificate (PIC);
- Any information certificate updates (ICU);
- Any information that a corporation's by-law requires as part of the new owner information certificate.

7.7 Obligations regarding delivery of certificates

What are a condominium's obligations with [respect to sending](#) the different types of certificates to all owners?

There are a number of ways that the three types of certificates can be sent to owners:

- The information can be delivered personally, by delivery to the unit, by mail, or by email if the owner has agreed to email. It can also be posted on a website with notice to owners regarding the posting.
- The notice of posting must follow the prescribed form, indicate the type of information certificate that has been posted, tell owners how they can access the posting, and that a paper copy is available upon request.

Knowledge Check 7-1

True or false?

1. A periodic information certificate shall be sent within 30 days after the last day of the first quarter of the condominium's current fiscal year and within 30 days after the last day of the third quarter of the condominium's current fiscal year.
2. A periodic information certificate must include a statement of all outstanding judgments against the condominium and include the implications of the judgment.
3. A change in the address for service of the condominium triggers the issuing of an Information Certificate Update to all owners.

Knowledge Check 7-2

Once the board has been notified by a new owner of their name and the unit they've purchased, how long does the board have to send a new owners information certificate to the new owner?

- a. 15 days
- b. 20 days
- c. 30 days
- d. 90 days

Knowledge Check 7-3

True or False?

An information certificate can be posted on a website, as long as a notice of the posting is sent to owners.

Module 8: Status Certificates

8.1 Summary

This module provides important information about status certificates.

8.2 Learning objectives

Upon completion of this module you should be able to:

- Describe what a status certificate is;
- Describe the purpose of a status certificate; and
- Describe the process and requirements related to a request for a status certificate

8.3 What is a status certificate?

A status certificate is a document that provides key information to individual(s) about a unit and about the condominium. It is accompanied by key documents such as the declaration and by-laws for the condominium, and key financial documents.

The status certificate is designed to provide a potential purchaser with the information they need when making decisions about purchasing a unit. Anyone can request a status certificate from a condominium.

The status certificate is a snapshot of the corporation at one point in time. If the information changes, there is no obligation to notify parties who have previously received the information.

8.4 Certificate contents

Status certificates must be dated and in the prescribed form. The form includes instructions on the documents that must accompany the completed form. The form is available on the Service Ontario website, and includes:

- General Information on the condominium corporation, including:
 - the address for service for the condominium corporation
 - the names and addresses of the directors and officers of the condominium

- a copy of the current declaration, by-laws and rules
- Common expenses information, including:
 - the amount of the common expenses for each unit and whether payments are in default
 - any increase in the common expenses related to an assessment and reasons
- All units that are legally connected to the unit being purchased, including:
 - lockers, parking units or any other unit type (common expense fees reported on the certificate should include total fee amounts for all these units).
- Budgetary information, including:
 - a copy of the current year's budget;
 - a copy of the last audited annual financial statements;
 - the auditor's report on the statements.
- Reserve fund information, including:
 - information about the most recent reserve fund study and any updates;
 - the balance of the reserve fund account (within 90 days of the request); and
 - any current plans to increase the reserve fund.
- Legal proceedings or claims, including:
 - a copy of any outstanding applications made to the court to change the declaration;
 - a statement of any outstanding judgements against the condominium;
 - a statement of any legal actions where the condominium is a party.
- Agreements with owners with respect to the common elements;
- Leasing of units, including the number of units which were rented within the prior fiscal year;
- Insurance information, including a Certificate of Insurance for each current condominium policy; and
- Any other material that the form may require.

8.5 Process

A condominium [must deliver](#) a status certificate within ten days of receiving the request and the payment for the certificate. The fee cannot be more than \$100 including tax.

If the status certificate information is not provided within the 10-day period, the corporation will be deemed to have issued a status certificate stating that there are no outstanding common expense fees owing for the unit, and no increases in common expenses nor any special assessments for the unit **since the date of the current year's budget**.

The certificate or the deemed certificate binds the corporation with respect to a purchaser or mortgagee who relies on it.

A purchaser or mortgagee who relies on a certificate or a deemed certificate may not be responsible for items – including arrears, increases in common expenses, or special assessments for the unit that should have been disclosed in the certificate.

Directors should review their management contract to understand who is responsible for preparing status certificates, and who is liable for any errors. Under the terms of most management contracts, the manager prepares the status certificates, collects the fee, and assumes liability for any errors in the information that is provided.

Condominiums that are self-managed will need to implement procedures to ensure status certificates are accurate, up-to-date, and prepared on time.

Knowledge Check 8-1

True or False?

1. A status certificate must include the most current monthly financial statement for the condominium.
2. Anyone can request a status certificate from a condominium.
3. If the status certificate information is not provided within 10 days of a request or the information is not up to date, the purchaser or mortgagee may not be responsible for any additional costs that should have been disclosed.

Module 9: Condominium Governance

9.1 Summary

Welcome to the CAO's Advanced Director Training course on Condominium Governance. This online course will provide directors with information and best practices on how to govern their condominium corporation.

Please note that this course is best taken together with the [CAO Guide on Governing Condos](#).

9.2 Learning Objectives

This course has been developed to provide you with best practices for condominium governance.

Upon the completion of this course, you will be able to:

- Describe and understand the difference between governance and operations; and
- Understand and apply four foundations of good governance.

9.3 The Difference Between Governance and Operations

Before delving into the framework and foundations of good governance, it's important to understand the difference between governance and operations.

The term "condominium board governance" refers to the processes by which the condominium board directs and controls the condominium corporation. This is very important as effective condominium governance is an essential part of a high-functioning corporation and a strong and vibrant condominium community.

Operations refers to the day-to-day management of the corporation, such as dealing with repair and maintenance work or handling day-to-day owner requests, for example, addressing an issue in the common areas.

The condominium board may hire a condominium manager to assist with the board's day-to-day operations, however, the board is responsible for ensuring that manager accomplishes those tasks.

Refer to the [CAO Guide on Governing Condos](#) for more information.

9.4 Four Foundations of Good Governance

Now that you have a high-level understanding of the difference between governance and operations, this course will provide a framework that condominium boards and individual directors can utilize to help understand their key roles and responsibilities within four foundational areas:

1. Developing Key Competencies of Good Governance;
2. Meeting the Standard of Care;
3. Establishing Proper Condominium Board Composition; and
4. Maintaining Good Owner Relations.

Please be aware that, although this course gives an overview of many elements of good governance, including some of the legal requirements for directors, it is not exhaustive. Condominium directors and boards should always consider their own specific situation, including the needs of their community, their governing documents, and the Condo Act, when utilizing the framework and these best practices for their own condominium corporation.

Learning Activity 9-1

There is more than one correct answer. Please choose **ALL** correct answers, then select Submit.

Which of the following are foundations of good governance?

- a. Establishing a Meeting Space
- b. Developing Key Competencies of Good Governance
- c. Developing a Good Condominium Website
- d. Meeting the Standard of Care
- e. Working with Local Condominium Corporations
- f. Meeting with the Other Condominium Board Members
- g. Establishing Proper Condominium Board Composition
- h. Maintaining Good Owner Relations

9.5 Fallingbrook Condominium Corporation Scenario

The Fallingbrook condominium corporation recently elected two new directors, Kathy and Amir, and has one relatively new director, Brad, who was elected in the previous year.

Each of these individuals brings a special set of abilities and skills to their position and are eager to hit the ground running as the new condominium board. The Fallingbrook corporation is managed by an independent condominium manager Helen. Although Helen has several years' experience, she has only recently been retained by Fallingbrook corporation. Kathy, Amir, and Brad all want to have a positive impact on their corporation, so they intend to be fully engaged in their role as condominium directors.

Kathy has a corporate communications background. Amir is a Financial Manager and believes that the skills he brings to this day job will be valuable in his newly-elected position. And, although Brad is also new to Fallingbrook, he has several years of experience sitting on other condominium boards.

The first board meeting held by Kathy, Amir, and Brad, with Helen in attendance, gets off to a rocky start, as everyone has their own idea regarding the focus of the meeting. Helen, bringing her experiences working with other condominium boards, approaches the first meeting as an orientation session and comes prepared to walk the others through the corporation's governing documents. Brad wants to discuss how best to structure the board meetings and how they should run.

Kathy is impatient and pushes her fellow condominium directors to discuss the hallway renovations as a priority. Amir agrees with Kathy and voices his opinion that the condominium board should focus on "getting things done". In addition, Amir advises that many fellow owners have come to him with complaints regarding the corporation and he would like to go through these complaints one-by-one with the rest of the condominium board.

Brad is concerned about this ad-hoc approach to the meeting. It was not what he had experienced in the past but did not want to appear to be critical of the new board members. Helen suggests that they elect a president and a secretary as required by the Condo Act, at which point the new condominium boards elects Brad to be president due to his seniority and Amir as secretary. Kathy is also elected as treasurer.

In preparation for their next meeting, Helen delivers the financial statements to Kathy, as she was tasked with reviewing them prior to the meeting in her new position as treasurer. During this meeting, Kathy notes that she briefly looked over

the statements and they looked “fine” but makes it clear that the condominium board’s focus should be on the renovations.

Over the next few months, Brad grows increasingly frustrated with Kathy and Amir. He knows they joined the board with the best of intentions, but it is difficult to get Kathy interested in anything other than the hallway renovations; she prefers to leave all other decisions to her fellow condominium directors. Kathy, as Treasurer, is assigned to review and take the lead on walking the condominium board through the financial statements but continues to struggle to review the financial statements in advance of board meetings.

Amir appointed himself to be the “voice for the owners” but it becomes clear to the others that he only consults with a small number of individuals who live close to his condominium unit. These owners are not in favour of the hallway renovation, which causes Amir to change his stance on the renovation and is a source of tension between Kathy and Amir, and frequently steps meetings from being productive, despite Brad and Helen trying to adhere to a set meeting structure.

Both Kathy and Amir are frequently distracted during Helen’s manager’s report, as they feel they have more important tasks to discuss than operational matters. Brad has privately discussed his concerns with Kathy and Amir separately, but nothing has changed. This is very discouraging for Brad, and he has started to skip some condominium board meetings.

The issues and tensions on the condominium board get worse when the time comes for Helen to put out a bid call for the hallway renovation work. Helen has plenty of experience with procurement and explains the process to Kathy, Amir, and Brad. Amir, who is not in favour of the renovation, begins to protest when he hears the details of the competitive bidding process, and Brad begins to agree with him. Kathy becomes very frustrated when she begins to think that the renovation may not happen and her time on the condominium board may have been wasted. Helen also begins to become frustrated, as she previously identified the upcoming bid call during her manager’s report. Helen feels that, had she known the renovation was going to be cancelled, she could have spent her time focusing on other work to help the corporation.

Finally, Kathy has had enough and notes her intention to resign from the condominium board at the next meeting. Amir and Brad are dismayed by this announcement as it is now their responsibility to replace Kathy and maintain the minimum number of condominium directors required in the Condo Act.

What is the condominium board in our scenario doing that demonstrates good governance?

The condominium board did genuinely want to serve the condominium corporation's interests and took several actions that could have had a positive impact on the condominium corporation. However, they were unaware of or did not apply the foundations of good governance and therefore did not have a process to turn those good intentions into effective actions.

9.6 Foundational Area 1: Developing Key Competencies of Good Governance

Let's explore the first foundational area of our framework, developing key competencies of good governance.

A condominium board is a group of individuals who are responsible for governing the shared ownership of their condominium corporation on behalf of all owners. In order to do this effectively, condominium directors and boards must understand and develop these competencies.

Generally, the key competencies of good governance include:

- Understanding the Legal Framework and the Standard of Care;
- Developing and Implementing Good Governance Practices; and
- Conducting Condominium Board Business Effectively.

Understanding the Legal Framework and the Standard of Care

The first key competency of good governance is to understand the legal framework that condominium corporations and the condominium board are bound by.

The legal framework is established through the Condo Act and the "governing documents", which exist in a hierarchy, as follows:

1. The Condo Act, which is the overarching legislation which sets out the legal requirements for all corporations in the Province of Ontario;
2. The declaration, which must be consistent with the Condo Act. It is often considered the constitution of the corporation and contains many important provisions, for example, the share of the common interests allocated to each condominium unit;

3. The by-laws, which must be consistent with the Condo Act and the declaration. The by-laws set out various key aspects of how the corporation will govern itself, such as the size of the board; and
4. The rules, which must be consistent with all the above documents, are established to help ensure owner conduct themselves within a consistent manner in the community. For example, to protect the safety of all owners or specify how and when common elements can be safely used.

Another important element of good governance is understanding your standard of care obligations.

The standard of care, which is set out in the Condo Act, requires that the board exercise reasonable care in exercising the powers and discharging their duties as board members in making decisions for the corporation.

Under Section 37 (1) of the Condo Act, the standard of care has two key elements:

- Acting honestly and in good faith
- Exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances

It is crucial that all condominium directors understand their standard of care obligations and potential liability.

It is important to note that these areas of the legal framework, including the standard of care, are not exhaustive list of legal obligations. Condominium directors and boards should be aware of and comply with all legal obligations, for example, the Ontario Human Rights Code. When in doubt about legal obligations, condominium boards should seek legal advice.

Developing and Implementing Governance Practices

The second key competency of good governance for condominium boards is to be able to develop and implement good governance practices.

Governance practices involve using tools or processes that help facilitate governance decision-making and the smooth functioning of the condominium board. These can take many forms and may involve changes to the governing documents.

Governing practices can include appointing or electing individuals to roles on the condominium board or implementing a minor change for how the condominium board will conduct meetings, such as a standing agenda format that focuses on the

condominium board's key areas of responsibility. It is also important to remember that just because a change may seem minor, this does not mean the change will not have a big impact. For example, a change to the way the condominium board runs its meetings, such as implementing a specific and consistent meeting structure (such as rules or order), may increase the productivity of board meetings.

Another example of implementing a governance practice is amending the governing documents to ensure all owners conduct themselves in a certain manner, such as creating a rule which prohibits individuals from using their parking spaces as storage.

Conducting Condominium Board Business Effectively

A third key competency of good governance is to conduct condominium business effectively at condominium board meetings.

By "condominium business" we are referring to how the condominium board makes decisions regarding governance responsibilities or how the condominium board provides direction regarding the management of the condominium corporation's operations.

For example:

- Review and approval of the budget and financial statements;
- Creating, modifying, or terminating contracts with vendors; or
- Identifying and/or approving changes to the common elements.

While there will always be a certain amount of operational and detail-level discussion by condominium board, particularly for those that have chosen not to engage a condominium manager, effective condominium boards also create opportunities to stand back and consider the 'big picture' as it relates to the performance and future sustainability of the corporation.

Condominium boards are most effective when they promote robust discussions on meaningful topics and are willing to be honest with each other about any challenges facing their effectiveness.

When condominium boards are unable to make times to focus on the fundamental areas of condominium business, they may find themselves spending too much time on operational or other issues.

9.7 Scenario Review

Now let's see how this first foundation of good governance applies to our scenario.

Kathy and Amir needed to take a step back and consider that good governance involves having and/or creating effective processes for decision-making, rather than just focusing on individual items.

During their first meeting, Helen steered Kathy, Amir, and Brad in the right direction by wanting to walk them through the governing documents and condominium board meeting process. The condominium board members are passionate about their condominium corporation and want to “get things done,” however, they would have benefited by developing the key competencies of good governance, such as:

- Understanding the Legal Framework and the Standard of Care;
- Developing and Implementing Good Governance Practices; and
- Conducting Condominium Board Business Effectively.

A consistent meeting procedure will allow condominium boards to “get things done” much more efficiently than focusing on whatever task is top of mind.

Lastly, Kathy and Amir's disagreements regarding the renovation project were disruptive and bogged down the condominium board's ability to conduct business. Effective and impactful condominium directors must be able to take a step back and consider how to be most effective. Individual condominium directors should approach topics with a mindset of learning more and understanding the different points of view before making up their mind. Disagreement or lack of consensus is not necessarily a bad thing. Boards that have healthy debate and discussion often come to better decisions.

How could Kathy be a more effective condominium director?

Although Kathy's dedication to the renovation and wanting to “get things done” are good things, Kathy could have been more effective if she had adopted a broader approach and focused on the foundations of good governance. Kathy's tunnel vision regarding the renovation prevented her from developing much of the knowledge she needed to succeed. There is nothing wrong with having a particular project you are passionate about; however, it is important to not let one item detract from your overall effectiveness as a condominium director.

9.8 Foundational Area 2: Meeting the Standard of Care

We will now explore the second foundation of good governance, meeting the standard of care.

We have previously discussed what the standard of care is; this section will focus on what it means to meet the standard of care.

It is of the utmost importance that condominium directors understand the standard of care obligation as set out in the Condo Act. This means acting honestly and in good faith, and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

What that means in practical terms will depend on each circumstance, however, there are several areas that directors should focus on to help ensure they are meeting their standard of care, including:

- Financial Due Diligence;
- Long-Term Sustainability – Reserve Funds and Risk Management;
- Overseeing the Condominium Manager; and
- Conflict of Interest Disclosure.

Again, this is not an exhaustive list. If you or your condominium board are concerned that an element of your standard of care obligations is not being met, it is recommended that you discuss and/or consult with a legal professional.

Financial Due Diligence

To meet and uphold the standard of care, individual condominium directors and boards must ensure due diligence when it comes to the condominium corporation's finances. This may occur in many ways, but some common examples include condominium directors reviewing and understanding the corporation's monthly financial statements or monitoring the investments of the corporation. Condominium boards will often oversee large sums of money and valuable assets, so ensuring that this oversight is done thoughtfully and knowledgeably is immensely important for the corporation.

Although financial documents can be complex, it is very important that directors do not simply approve the financial information that they receive. Rather, condominium directors should take an active role in ensuring the financial health of their

corporation by understanding the information and asking questions or following up on any issues they may have.

This due diligence is key to making informed decisions about the finance of the corporation.

It is important to remember that, ultimately, it will be the condominium board that is accountable for state of the corporation's finances.

Refer to the [CAO Guide on Condo Finances](#) to ensure you understand your corporation's finances.

Long-Term Sustainability – Reserve Funds and Risk Management

A second area of focus that will help condominium directors and boards meet their standard of care obligations is to take steps to ensure the long-term sustainability of the condominium corporation.

There are two key activities that help to ensure long-term sustainability: adequate reserve fund management and regular risk management practices.

The existence of the reserve fund is required by the Condo Act and serves important function of making sure the corporation has sufficient funds for the major repair and replacement of the corporation's common elements and assets.

Failing to conduct necessary major repairs or replacements, or not having the funds needed to do so, could result in the common elements degrading to the point of diminishing the overall value of the corporation or, more seriously, to the point where they may no longer be safe for owners and residents.

Risk management is a technique that many condominium boards use to understand and identify what could go wrong in their condominium community and take steps to prevent or mitigate negative future events, such as the damage or loss of the corporation's assets.

Refer to the [CAO Guide on Condo Reserve Funds](#), as well as the [CAO Guide on Governing Condos](#) and [Issues Management](#), for more information.

Overseeing the Condominium Manager

Another area of focus related to the standard of care is effective oversight of the condominium manager (in cases where the condominium corporation has retained a manager).

Many corporations procure professional management services to help with the running of their corporation and to ensure the day-to-day operational requirements of the corporation and its community of residents are fulfilled.

Managers are often tasked with the day-to-day responsibilities of managing the corporation's operations, but their tasks vary depending on what they are contracted to do by the corporation. Although these tasks may be delegated to a manager, the condominium board will always be accountable for making sure assigned tasks get done in a timely and effective manner. Therefore, the condominium board must have effective reporting and oversight measures in place to fulfill their standard of care obligations.

Conflict of Interest Disclosure

A fourth area of focus related standard to of care obligations is to ensure the timely disclosure of conflicts of interest.

The Condo Act states that directors have a responsibility to disclose conflicts. Conflicts are “material interests that could or could be perceived to compromise a director’s decisions.”

Conflict of interest disclosure is very important because failure to do so at the times required by the Condo Act means that the condominium director who failed to make the disclosure will immediately cease to be a director, which directly impacts the condominium board’s ability to conduct business. Additionally, some disclosures made by a condominium director may have implications for the director’s ability to vote and discuss certain items at board meetings.

Although conflict of interest disclosure may seem straightforward in principle, the requirements under the Condo Act can be complex. Be sure to refer to the Condo Act and the [CAO Guide on Governing Condos](#) for more information.

9.9 Scenario Review

Kathy, despite a lack of familiarity with financial statements, was appointed as treasurer and tasked with reviewing the financial statements. Although it is always possible to improve your skills, it was clear in the first meeting that Kathy’s focus was on the hallway renovation and, given her lack of background in financials, it was likely that she might struggle with this responsibility. As such, the board and Kathy did not fulfill the standard of care for overseeing the condominium corporation’s finances.

Boards and directors that are meeting the standard of care must always exercise financial due diligence. Rather than assigned responsibility to one director with limited skills or interest in financials, the corporation could have appointed a treasurer to this officer position with a strong financial background and a commitment to fulfilling this role and taking the condominium board through the statements to help them understand the corporation's financial position. For example, in this case, Amir had the financial background among the board members. Alternatively, if no director feels they have sufficient financial background, the board could appoint an external expert to help them with this critical responsibility.

9.10 Foundational Area 3: Establishing Proper Condominium Board Composition

Understanding that a condominium board's composition directly impacts how well the condominium corporation runs is very important, as the wrong size, structure or individuals placed in the wrong roles could lead to ineffective governance.

Establishing a proper condominium board composition means considering what's best for your specific corporation and involves the following:

- Determining the Right Structure: Size, Term Length, and Term Limits;
- Understanding the Role of the President;
- Understanding the Role of the Secretary;
- Understanding Other Officer Roles; and
- Utilizing a Skills Matrix

Determining the Right Structure: Size, Term Length, and Term Limits

The first area of focus for determining a proper board composition is determining the right size, term length and term limits for the director positions on your condominium board.

As required by the Condo Act, a condominium board must be made up of a minimum of three individuals, but this can be increased by passing a by-law: A condominium board must also have a president and a secretary.

Although the Condo Act establishes a baseline board structure, the condominium board will need to find a structure that works best for their specific condominium corporation.

Condominium directors can also only serve in a single term for a limited amount of time. Section 31 (1) of the Condo Act establishes a maximum term length of three

years, although this can be shortened by passing a by-law. This is called a term length. A term limit refers to the number of consecutive terms that a condominium director may serve on the board. The Condo Act does not establish a maximum number of terms a condominium director is allowed to serve for. This can be established by each corporation in their by-laws.

Refer to the [CAO Guide on Governing Condos](#) to learn more.

Understanding the Role of the President

A second area of focus for ensuring a proper board composition is to understand the role of the condominium board president.

Although the Condo Act does require that the president be elected from among the condominium board, it does not provide specific guidance on the duties and requirements of the president, so condominium corporations are free to define the role in the way they choose. For some, the by-laws may already outline the key responsibilities of the board president whereas, for others, general guidance may be useful to distinguish the role from other director responsibilities. The office of board president is considered the leader of the condominium board subject to any specific requirements in the corporation's by-laws. Here are some examples of what the president should do:

- Collaborate with the other condominium directors and the condominium manager to identify priorities for the condominium board;
- Work closely with the manager, as the administrative officer of the corporation, to develop the agenda, call meetings and ensure proper minutes of board decisions are recorded;
- Chair the meetings, and set the tone for effective board meeting discussion, such as using agreed standard rules of order and meeting practices (such as Robert's Rules, or Nathan's Rules);
- Ensure that the manager provides a report on operations and status of tasks assigned by the condominium board.
- Ensure that there is an onboarding and orientation process for new condominium directors;
- Lead the condominium board in coming to a decision or resolution on important issues;
- Ensure a positive board culture, providing opportunities for all views to be heard and valued;
- Ensure the implementation of all resolutions of the condominium board; and
- Ensure effective communications with owners.

The president is key in ensuring effective governance and requires a combination of vision, integrity, diligence, communications, and an effective leadership style.

Understanding the Role of the Secretary

A third area of focus in ensuring a proper board composition is to understand the role of the secretary and elect or appoint a secretary from among the condominium directors, as required by the Condo Act.

The secretary is often considered the custodian or caretaker of the condominium corporation's decisions and corporate records. The secretary performs many of the condominium board's administrative tasks and activities related to record-keeping and giving notice of meetings. If your corporation has a condominium manager, the secretary will oversee the record-keeping and minute-taking on behalf of the condominium board.

Subject to any specific requirements in the corporation's by-laws, here are some examples of what the secretary should do:

- Ensure accurate and balanced recording of condominium board meeting minutes, which are presented in draft form to the board for approval;
- Work with the board president to plan the board's annual calendar and schedule of board meetings; and
- Understand records and records requests so the condominium board and condominium manager can respond to these requests as required by the Condo Act.

The secretary is key in ensuring effective governance and requires a combination of organizational skills, professionalism, and ideally, a good understanding of board governance and how the condominium board functions.

Understanding Other Officer Roles

A fourth area of focus for ensuring a proper condominium board composition is to consider, and potentially adopt through passage of a by-law, other officer roles that may be helpful for your individual condominium corporation.

Depending on the size and complexity of your community, as well as any special projects or issues, the board may wish to add roles such as vice president and/or treasurer.

These discretionary roles may increase the capacity and skillsets of the board, which may be helpful in carrying out its duties and effectively managing the affairs of the corporation

When evaluating desired competencies and skills, consider:

- Background (such as legal, accounting, project management, communications, risk management, strategic planning, management, etc.);
- Past experience; and
- Diversity and inclusion.

While best practice is to have elected condominium directors fill these roles, if the skills the corporation needs are not available from among the individuals who have been elected, officers with certain necessary skill sets may be appointed from outside of the condominium board.

Refer to the [CAO Guide on Governing Condos](#) for more information.

Using a Skills Matrix

A fifth and very helpful area of focus for ensuring a proper board composition is to utilize a skills matrix.

It is common for condominium corporations to struggle to find and recruit individuals to run to be a condominium director, especially individuals with skills that the board is currently in need of. With this in mind, it is essential that condominium boards identify the requisite skills needed to effectively govern their corporation.

A best practice is to use a “skills matrix” or a list of key skills to help prioritize the skills desired across the collective members of the condominium board and identify any skills gap among current condominium directors to help inform future recruitment efforts. For example, the current condominium board may have directors with a strong financial background, but they feel it would be beneficial to have a condominium director with a marketing background.

Learning Activity 9-2

For each of the following duties, choose whether they might be more appropriate for a president or a secretary.

1. Ensure accurate and balanced recording of condominium board meeting minutes, which are presented in draft form for condominium board approval.
2. Ensure a positive condominium board culture, providing opportunities for all views to be heard and valued.
3. Chair the meetings and set the tone for effective condominium board meeting discussion, for example, by using agreed standard rules of order and meeting practices, such as Robert's Rules or Nathan's Rules.
4. Understand records and records requests so the condominium board or condominium manager can act on these requests as required by the Condo Act.

9.11 Scenario Review

Now, let's return to our scenario to see how well they established proper condominium board composition.

The directors of Fallingbrook may not have had roles which aligned with their skills. Amir, despite his financial experience, was not elected to the position of treasurer – that was left to Kathy, who struggled and did not seem motivated to excel at this role.

Amir took it upon himself to act as a liaison between the condominium board and the owners, despite Kathy's communications background. Although Brad had some knowledge and experience on other condominium boards, he took a passive approach rather than chairing the board meetings and guiding the discussion to establish the best board composition for their corporation.

As president, he should have exercised his leadership role and voiced his opinion more often. Unfortunately, over time, Brad lost his motivation to be the leader of the condominium board.

It would have been helpful, prior to assigning condominium directors into these roles, for the board to create a skills matrix to see what skills they possessed, what gaps (if any), and determine who best among the current condominium directors should fill specific roles.

9.12 Foundational Area 4: Maintaining Good Owner Relations

We will now explore the fourth foundation of good governance – maintaining good owner relations.

It is the condominium board's role to cultivate and nurture a strong and vibrant condominium community. It is important to remember that the condominium board governs the condominium corporation on behalf of the owners and, therefore, a key responsibility is communication and encouraging a positive community by maintaining good owner relations.

Maintaining good relations with the owners of the corporation involves:

- Engaging and informing owners; and
- Soliciting feedback

Engaging and Informing Owners

A first area of governance for ensuring good owner relations is to engage and inform the owners of the condominium corporation.

Ensuring that owners are kept informed and understand the process or basis for decisions improves owner relations and owner satisfaction with the board.

This can best be achieved by:

- Proactively engaging with owners and owners' groups on important issues;
- Openly sharing information and minutes with owners; and
- Speaking directly with concerned owners.

Additionally, many corporations organize committees, made up of both a condominium director and owners, to help the condominium board accomplish various tasks. This can include everything from a gardening committee to a committee focused on the organization of an important event. A notable benefit of

committees is that they ensure owner participation and help to build a strong and vibrant condominium community.

For more information on how to best communicate with owners please refer to the [CAO Guide on Governing Condos](#).

Reflecting on Soliciting Feedback

Another strategy to help maintain good owner relations is to solicit feedback.

Seeking feedback can help the condominium board get an understanding of priority items of interest to the other owners and inform future planning. It could also provide an opportunity to get input into ways to enhance owner relations and cultivate a strong and vibrant community.

Think about your own condominium corporation and how you go about soliciting feedback from owners.

Ask yourself:

- When was the last time your condominium board collected owner feedback regarding the board's performance?
- What information would you want to solicit from owners?

How could our scenario condominium directors, Kathy, Amir, and Brad, improve their engagement with owners?

Rather than Amir's approach, which involved consulting with a few owners on a specific issue, the condominium directors could have developed an owner engagement strategy that best met their community's needs. This could have included gathering owner feedback from all owners, or an owners' group, or establishing a committee. The best strategies for you will depend on the specific issue and nature of your condominium corporation.

9.13 Scenario Review

Let's see how Kathy, Amir, and Brad did regarding engaging and informing owners.

Amir was right that consideration of the owners' input should inform the actions of the condominium board, but consulting with only some owners was not sufficient and was always going to lead to poor owner relations with other owners.

With agreement of the condominium board on the best strategy for engaging owners on this important issue, Amir could have organized a meeting of all owners, to get everyone's feedback on the hallway renovation project and key areas of importance or concern.

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Module 10: Requisitioned Meetings

10.1 Summary

This module provides basic information about the type of meetings that owners may requisition.

10.2 Learning objectives:

Upon completion of this module you should be able to:

- define a requisitioned meeting; and
- describe the various procedures and obligations related to calling a requisition for meeting of owners

10.3 Defining requisition

Requisition means to demand that something be provided. Owners can requisition a meeting from the board. The process for requisitioning a meeting is covered in [section 46](#) of the Condominium Act, 1998 (“the Act”).

- Owners can requisition a meeting for the following purposes:
- To discuss condominium business
- To vote to remove/replace directors
- For any other purpose for which owners are entitled to requisition a meeting, such as to vote on the approval of a proposed rule

Owners do not have power to requisition a meeting to vote on items which fall under board authority such as budget or governance decisions. If the owners disagree with these types of decisions, their only remedy is to requisition a meeting to attempt to have the board removed and replaced.

Requisition process

The requisition process was created to empower owners. The Act includes very specific rules regarding the requisition process. To be valid, the requisition must be in writing and signed by owners who own at least 15% of the condominium’s units. The requisition must also state the nature of the business to be presented at the meeting.

The request must be delivered personally or by registered mail to the president or secretary or deposited at the address for service of the corporation.

The requisition cannot include owners who are more than 30 days in arrears of their common expenses payments.

If the meeting request relates to the removal of one or more directors, the requisition shall state the name of the directors to be removed, the reasons for the removal, and if the director occupies an “owner-occupied” unit position on the board.

10.4 Procedures and obligations for requisition meetings

There are several required procedures and obligations for requisition meetings related to:

- calling the meeting;
- providing owners with notice of the requisition meeting; and
- the agenda for a requisition meeting

Calling the meeting

If a board has agreed to call a meeting, the requested item(s) can be added to the agenda of an upcoming AGM (if the individual(s) requisitioning the meeting agrees) or a meeting can be called to discuss the business that is being requested. The board must hold this meeting of owners within 35 days.

If a board does not call a meeting it is required to call, the requisitionists can call the meeting and the condominium is required to reimburse them for reasonable costs in calling the meeting. The meeting must be held within 45 days of it being called.

Providing notice of the requisition meeting

If a board holds a meeting in response to a requisition request, it must provide to owners a preliminary notice of meeting. This must be sent out prior to a formal notice of meeting being sent out.

The preliminary notice must be sent 15 days in advance of the formal notice of meeting.

The formal notice of meeting must be sent at least 15 days before the meeting.

Before sending a formal notice of a meeting, the board can make a decision about the validity of the requisition. In all, the board has 35 days from receiving a requisition to holding a meeting. The meeting is chaired by the board.

More information on notices to owners can be found in another module.

Agenda for requisition meeting (Where voting is to take place)

The typical agenda for a requisition meeting to either remove/replace directors or to vote on a proposed/draft rule will typically include the following items:

- Call to order
- Proof of notice of meeting
- Appointment of scrutineers
- Presentation of requisition by chair
- Possible discussion of requisition
- Explanation of voting procedure by chair
- Voting
- Announcement of election results (for removal of directors)

When an item is being voted on, owners should always be given the opportunity to ask questions.

Agenda for replacement of a removed director

If any directors are successfully removed at a meeting to remove or replace directors, the chair will typically continue with:

- Nominations for vacant positions on the board
- Candidate speeches and explanation of voting procedure by chair
- Voting
- Announcement of election results
- Termination of meeting

Knowledge Check 10-1

What happens if a board does not call for a requisition meeting as required?

- a. The board is deemed to have rejected the requisition and the meeting cannot take place.
- b. The requisitionists may hold a meeting. Once the meeting has been called, the meeting must be held within 45 days.
- c. The requisitionists should keep waiting for the board to respond. The requisitionists cannot call a meeting of owners

Knowledge Check 10-2

At a Requisition Meeting where a vote is to take place (such as to remove or replace directors or approve a draft rule), should there be a discussion on the item(s) to be voted on?

- a. Sometimes. If the requisition explicitly asks that discussion be part of the meeting agenda;
- b. Yes, always. As a matter of fairness, owners should be given the opportunity to ask questions and make comments on the items to be voted on
- c. No, never. A discussion is unnecessary if a vote is taking place.

Module 11: Best Practices for Owners' Meetings

11.1 Summary

This module provides basic information about conducting owners' meetings

11.2 Learning objectives:

Upon completion of this module, you should be able to:

- describe best practices with respect to conducting owners' meetings; and
- understand the requirements of Condominium Act 1998 ("the Act") to conduct an owners' meetings.

11.3 Introduction

Owners' meetings are important opportunities for board directors to engage with the unit owners and receive their input.

Knowing how to run a meeting well is critical to the successful operation of a condominium. Well-run meetings are useful, productive and pleasant. Well-run meetings encourage owners to participate during meetings and in future meetings, and in the broader condominium community.

Poorly-run meetings are typically long and ineffective in achieving the objectives of the meeting. They can also create negativity in the community, and owners may begin to feel frustrated, and lose confidence in the board.

The primary goal of an owners' meeting is to transact the business on the meeting agenda in a full, open and fair manner.

11.4 Meetings Called by the Board for Owners

There are two broad categories of meetings called by the Board for the condo owners:

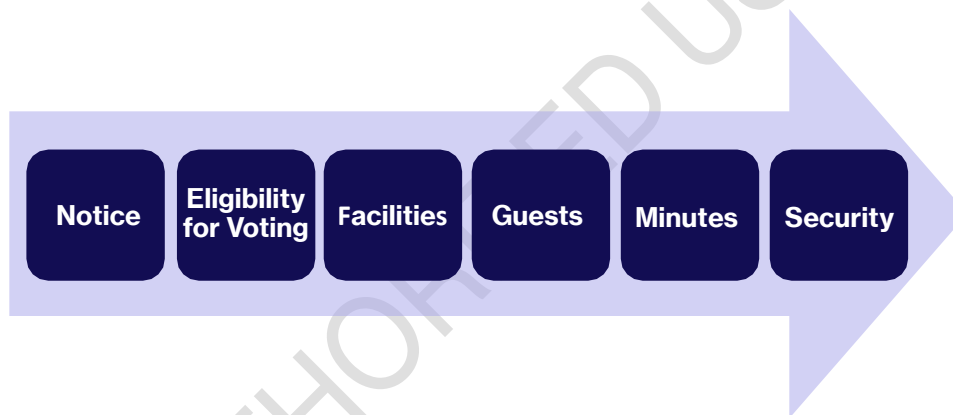
Annual general meeting (“AGM”)

The board must [call an AGM](#) within six months of the condominium’s fiscal year end. In the case of a new condominium, a board must hold a general meeting of owners within three months of registering the declaration.

Other business meetings

The board may call meetings for transacting the business of the condominium at any time throughout the year. These meetings might be held to discuss or vote on various business matters such as the approval of a proposed by-law, a change to the declaration, and/or a proposal for a substantial modification.

11.5 The board’s obligations prior to an owners’ meeting



Preliminary notice

A [preliminary notice](#) of meeting must be sent by the board (to all owners and mortgagees listed on the record of the condominium) 20 days before the formal notice of the meeting is sent out, and must include:

- A statement of about the purpose of the notice and the fact the formal notice package will be sent out later
- The purpose of the meeting, including any business to be presented, a statement related to any proposed change to the declaration, description, by-laws, rules or agreements
- The proposed date of the meeting

- The deadline for owners to submit information that may be included with the formal notice of meeting, and how and where to submit this information
- Required information as it relates to electing a director, the removal/appointment of an auditor, and/or a vote on a proposed substantial change to the common elements, assets or services

Notice of Meeting

The [formal notice](#) must be in writing and must be sent at least 15 days prior to the meeting. The information that must be provided in the notice includes:

- Meeting procedures
- The quorum required for the meeting
- Attendance and voting procedures
- Candidate information for director positions
- Information on matters to be voted on at the meeting

Unit owners can suggest materials for inclusion with the notice package, but the board has discretion in deciding what to include with the notice in most cases but not all.

Additionally, notices must include the time and location of an in-person meeting. Considerations for electronic owners' meetings will be discussed later in this module.

Methods of Delivering Meeting Notices

An individual's preferred method of communication can be found in the record of owners and mortgagees.

In any case, a board can provide notice to owners through personal delivery or by prepaid mail to the individual's address for service located in the record of owners and mortgagees.

If the board plans to provide notice to owners through electronic means, the following must be true:

- The individual has previously provided the corporation in writing, for any purpose, with their email address or other electronic communication address, including any change in the address; and

- The individual has not requested to opt out of receiving notices electronically.

If this is true, the record of owners and mortgagees must include the individual's email address or other electronic communication address.

Eligibility for voting

Determine who is eligible for voting by reviewing the current list of owners and voting mortgagees (as required by [section 46.1](#) of the Act) and an updated list of units in arrears.

Facilities

The condominium must identify whether the meeting is being held electronically, hybrid, or in person and, if so, the location of the meeting.

An electronic or hybrid meeting must enable all persons entitled to attend the meeting to reasonably participate.

The by-laws of a condominium corporation may limit and/or specify requirements that apply to holding a meeting of owners by telephonic or electronic means.

Guests

The board should invite and send a copy of the meeting package to any guests. For example, auditors, engineers and lawyers could have been invited to the meeting to discuss a specific item on the agenda.

Minutes

While not required, most condominiums hire a minute taker to act as the recording secretary. This individual is responsible for taking and preparing meeting minutes.

Security

If the board feels that there are items on the agenda that could be highly contentious, the board could consider hiring security or police.

11.6 Holding an owners' meeting

Registration of attendees

Registration of attendees is usually, but not always, handled by management staff. The [registration of people attending](#) must be done carefully to ensure that quorum is achieved, and to watch for any problematic proxy forms. Here are some things to check:

- Only one proxy form can be received for a given unit. If multiple proxies are received, and assuming they are all valid, the later proxy overrides the earlier;
- The proxy form must be completed under the hand of the appointer. This means that the unit owner signing the proxy form must sign the proxy themselves;
- An individual cannot receive a ballot while someone else holds a proxy form for the same unit, to ensure one vote per unit;
- Any unit owner that is in arrears for 30 days or more is not eligible to vote;
- Adhere to any by-laws related to voting. For example, the condominium may have a rule requiring proxy forms to be received 48 hours before the start of the meeting.

Chairing meetings

The meeting is usually chaired by the president of the board, but many condos will ask their lawyer to chair, especially if complicated legal matters or contentious issues will be discussed.

The Chair presides over the meeting. The Chair is responsible for:

- ensuring that the meeting follows the agenda;
- providing appropriate time for questions from the floor; and
- generally controlling the meeting and the room.

Voting options

Votes may be cast either by show of hands or by ballot. If the vote is by a show of hands, it must be recorded in the minutes.

A show of hands vote can be challenging in a room where some individuals hold multiple proxy forms, so most votes, other than simple votes like approving the prior meeting's minutes or terminating the meeting, are held by counting ballots and proxy forms.

The by-laws may limit or specify how owners vote electronically or via a telephone.

The Act allows owners to vote without revealing their names or unit numbers. However, a corporation can prohibit this if a by-law is passed.

Removal of directors

If the requisition for a meeting is for the removal of one or more directors (before their term expires), the requisition must state the name of the director, the reasons for the removal and the position that the director occupies a position reserved for voting by owners of owner-occupied units.

If an owner's meeting is called to vote on the removal of a director before their term has ended; the removal can only occur if owners of more than 50% of the units must vote in favour of the removal.

Maintaining quorum on the board

A board can only transact business if a majority of the board is present.

If there are vacancies on the board, they should be filled quickly to ensure the board is properly constituted and has a quorum to conduct business.

For example, if according to the condominium's by-law, the board consists of seven members, there must be at least four board members at a meeting to achieve quorum and to conduct any business.

If a vacancy arises in the board and if a quorum of the board remains in office, the majority of the remaining members of the board may appoint any person qualified to be a member of the board to fill the vacancy until the next annual general meeting.

Procedure to fill a vacancy if quorum is lost

As discussed further in a later module, the corporation must create and distribute an information certificate update to all unit owners if a vacancy has arisen in the board and there are not enough directors remaining to constitute a

quorum. It would provide the number of vacancies on the board and a request that each individual who intends to be a candidate for election notify the board in writing within five days.

Directors or owners that call a meeting to fill vacancies when there are not enough directors to constitute a quorum are exempted from the preliminary notice requirements in the Act.

An owner also has the authority to call a meeting to fill the vacancies if the remaining directors have not called a meeting within 15 days of losing quorum or if there are no directors left on the board.

The owner would also be required to send out a formal notice of meeting in the mandatory form. The meeting would need to be held at least 15 days after issuing the notice of meeting.

Eligibility to vote at owners' meetings

To be able to vote, an owner's name must appear, or be required to appear, in the condo corporation's record required to be kept by the condominium owners and mortgagees.

If the common expenses for a unit have been in arrears for more than 30 days, and payment is not received prior to the meeting, then the unit owner loses their right to vote.

There is one vote per unit, even if a unit is co-owned (excluding the non-voting units such as parking or locker units). For example, spouses who co-own a unit cannot cast two separate ballots or proxies.

Proxies: Representing another owner

An owner who cannot attend a meeting in person may [appoint a proxy](#) to vote for them. A proxy can vote on behalf of the owner that they are representing. To be able to vote on behalf of an owner, a proxy must have a valid proxy form completed by the appointer or the appointer's attorney.

Proxies can be helpful in obtaining quorum if owners are unable to attend the meeting, but still want to vote on an item. Owners must be careful to only give their proxy form to a trusted person.

Quorum at owners' meetings

For annual general meetings, turnover meetings, or meetings to appoint a new auditor or elect directors, quorum is met when owners or proxies for 25% of the voting units in the condominium are in attendance.

- To count towards quorum, an owner or a mortgagee must be entitled to vote at a meeting and shall be present at the meeting or represented by proxy.
- A person who, through telephonic or electronic means, casts a vote before or at the meeting is also deemed to be present at the meeting and counts towards quorum.
- A mortgagee that is entitled to vote in place of a unit owner counts toward quorum.
- Parking units, locker units, and other non-voting units do not count toward quorum.
- Owners who are ineligible to vote (for example, due to having arrears of more than 30 days) do not count towards quorum, even if they are permitted to attend the meeting. If quorum is not achieved on the first attempt to hold a meeting, the board should arrange to hold the meeting again, except in the case of a requisitioned meeting, where only one attempt is required.

If quorum is not achieved on the first attempt to hold the annual general meeting or turnover meeting, the board should arrange to hold the meeting again, except in the case of a requisitioned meeting, where only one attempt is required.

Quorum for the second attempt is also 25%. If quorum is not achieved on the second attempt, quorum for the third and all subsequent attempts decreases to 15% (unless a corporation by-law keeps quorum at 25%).

Knowledge Check 11-1

The board sends out a notice of the annual general meeting. Owners or proxies who own 20% of the units in the condominium attend the meeting. Does the board have the quorum it needs for the meeting?

- a. No. Quorum is met when owners or proxies for 25% of the voting units are in attendance.
- b. Yes. Quorum is met when owners or proxies for more than 10% of the voting units are in attendance

11.7 Conducting annual general meetings

There are certain elements that are usually found on the agenda for an annual general meeting (AGM) of owners:

- Call to order
- Proof of notice of meeting
- Appointment of scrutineers
- Approval of minutes
- Presentation of audited financial statements
- Appointment of auditor by owners
- President's report
- Condominium document changes
- Director election
- Other business/question period
- Termination of meeting

Call to order

Once most attendees are registered and quorum is confirmed, the meeting should start. Late attendees should be registered as they arrive. The meeting typically starts by having the Chair introduce the head table which will include the board of directors, condo manager and / or other guests. Attendees are usually reminded of the meeting rules, which may include:

- raising hands to ask a question or make a comment;
- clearly stating name and unit number when called upon;

- treating each other with respect and civility; and
- following the agenda.

Proof of notice of meeting

While not mandatory, most managers or boards will provide a signed statement confirming that the notice and package for the meeting were sent out in accordance with the Act. This allows the Chair to ensure that the meeting was properly constituted and that the items on the agenda were disclosed to the meeting participants.

Appointment of scrutineers

The Chair will typically ask for volunteers from the audience to act as scrutineers. The role of the scrutineer is to review and count the show of hands and / or ballots and proxy votes. A report is provided to the chair to announce the voting results. There will usually be two scrutineers. They should not be candidates for election to the board (or be residing with a candidate).

Approval of minutes

Typically, the minutes of the previous AGM and other owners' meetings are approved. The chair will typically seek a first motion to dispense with the reading aloud of the minutes. Otherwise, the minutes will be read aloud. Then the Chair will seek a motion to approve any proposed amendments to the minutes that were circulated in the meeting package and ask if there are any corrections from the floor.

Amendments must correct inaccuracies in what was recorded in the minutes. Examples of changes include misspellings, if a comment was attributed to the wrong person, and misquotations (the person said something different than what was recorded in the minutes). Finally, a motion is sought to approve the minutes, either as circulated or as amended.

Motion process

The first step is for someone to make a motion.

Another person must then second the motion. Once seconded, the motion is put to a vote.

For most motions, like approving the minutes, there is generally sufficient consensus on the item that voting through a show of hands is acceptable.

If the issue is highly contentious, a balloted vote could be the most acceptable option.

Presentation of audited financial statements

This is done by the auditor, who will review and explain the financial statements to the owners, including any notes to the statements. Owners should be encouraged to ask questions; however, the Chair must ensure that these questions pertain strictly to the financial statements and not to other issues.

For example, an owner may wish to state that the condominium is paying too much for landscaping. The auditor's job is only to confirm that the condominium spent the money it did on landscaping, not to comment on the fairness of the price or the quality of the work. The role of the auditor is discussed in more detail in learning module 11.

Appointment of auditor by owners

The appointment of the next year's auditor is voted on directly by the owners at each AGM.

Usually, the board will recommend the re-appointment of the current auditing firm. If the unit owners don't re-appoint the auditor, another meeting will need to be held to appoint a new auditor. This is discussed in more detail in later module.

President's report

Most boards take the opportunity to update the owners on notable activities since the last AGM. The President presents a succinct report (or reports, as other directors or officers may also deliver one) on behalf of the board. A more comprehensive written update can be provided as part of the meeting package or made available for pick-up at the meeting.

This can also be the time to provide a status update on large construction projects which are ongoing or upcoming.

Condominium document changes

Documents that are changing and which were included on the agenda, such as voting on by-laws, would typically follow the president's report. These changes are to be documented in the minutes.

Director election

Ensure all nominations received

Elections start by ensuring that all nominations for vacant positions have been received. A person can nominate him or herself or someone else, but only if that person is qualified to run under the Act and the by-laws.

Motion to close nominations

After seeking nominations from the floor (in addition to those previously identified and circulated with the meeting notice), the Chair should call for a motion to close nominations.

Candidate speeches

The Chair should then call for speeches from the candidates. Speeches should be relatively brief (2-3 minutes), especially when many candidates are running. Depending on the number of candidates and timing, questions may be permitted.

Explanation of voting procedures

The voting process should start with an explanation of the voting procedure by the Chair. This should include clarification as to how to spell names of candidates, which ballot to use and how to mark ballot. Prior to starting the vote, the Chair should provide a last opportunity for attendees to ask any questions as to voting procedure. Then attendees who have not already voted by proxy form are invited to vote.

Vote and collection and counting of ballots

The scrutineers collect the ballots, and then count ballots and proxy votes under the supervision of management. This can take some time, so other business of

the meeting typically proceeds during the counting, with the scrutineers out of the room.

All instruments appointing a proxy or ballots that are used in a meeting of owners are records that must be kept by the corporation.

Announcing results

When the vote count is returned to the Chair, the Chair should announce the election results.

Other business or question period

Section 45(3) of the Act provides owners with an opportunity to ask questions or make comments about general condominium matters at the meeting. This allows the board to remain in tune with the opinions of the unit owners.

This portion of the meeting is strictly for information and discussion purposes. Any new votes or motions should not be introduced during this part of the meeting.

The board and management should try their best to be responsive to inquiries and, if answers are not given during the meeting, should undertake to follow up.

Attendees should also be reminded that an annual general meeting or an owners' meeting is not the proper venue for unit-specific questions. Unit-specific questions should be brought in writing to the attention of management, or to the board outside of owners' meetings.

Closing the meeting

To end a meeting, a motion to close is offered by the Chair.

If business is still pending (for example, approval of a by-law for which there was insufficient quorum), a motion can be made to adjourn the meeting and reconvene at a later date.

11.8 Considerations for Electronic Owners' Meetings

Methods of Holding Meetings

Owners' meetings can be held either entirely or partially by one or more telephonic or electronic means. The by-laws of a condo may:

- Limit the manner or manners by which a meeting of owners may be held virtually; or
- Specify requirements that apply when holding a meeting of owners virtually.

A meeting of owners held by telephonic or electronic means must enable all persons entitled to attend the meeting to reasonably participate.

Definition of Telephonic or Electronic Means

Telephonic or electronic means is defined in the Condo Act as any means that uses the telephone or any other electronic or other technological means to transmit information or data, including telephone calls, voice mail, fax, e-mail, an automated touch-tone telephone system, computer or computer networks.

Delivering Meeting Notices

If provided, an owner or mortgagee's email address or electronic communication address must be in the record of owners and mortgagees.

A condo corporation can use electronic means to deliver meeting notices to owners if:

- The individual provides the corporation in writing, for any purpose, with their email address or electronic communication address, including any change in the address.
- The board has decided the corporation may send one or more things required to be given to an owner/mortgagee under the Act by that method of electronic communication.
- The individual has not requested to opt out of receiving notices electronically.
- All additional requirements in the by-laws for serving notices are satisfied.

Notice of Meeting

A notice of meeting of owners does not need to specify a place of the meeting if the meeting is to be held entirely by one or more telephonic or electronic means.

The notice of meeting must include instructions for attending and participating in the meeting. If applicable, instructions for voting by any telephonic or electronic means shall be included in the notice of meeting.

Quorum Requirements

A person who, through telephonic or electronic means, casts a vote before or at a meeting of owners or attends a meeting is deemed to be present at the meeting.

The by-laws of a condominium corporation may place additional requirements or restrictions on the methods of holding an electronic meeting.

Voting Requirements

Subject to the by-laws, a vote by a show of hands or by a recorded vote may be conducted entirely by one or more telephonic or electronic means or by any combination of in-person voting and by one or more telephonic or electronic means.

The by-laws of a condo may:

- Limit the method or methods by which a vote may be conducted
- Specify requirements that apply when holding a vote electronically

[Section 55 \(1\) 10](#) of the Act requires the corporation to maintain adequate records of votes cast via telephonic or electronic means before or at the meeting.

Knowledge Check 11-2

At this year's AGM, an owner proposes an amendment to the draft minutes of last year's AGM. These minutes were circulated with the notice package. After the line in the minutes that reads, "The Condo Manager discussed that the ramp will be repaired next April," she proposes to add, "but this did not end up taking place until June." Should this change to the minutes be made?

- a. No, because it was not actually said at last year's AGM
- b. No, because the ramp repair did not take place until after the AGM
- c. Yes, because it is important to reflect what happened with respect to the ramp repair since the AGM

Knowledge Check 11-3

During the Other Business portion of the AGM, the owner of suite 701 asks the board if they have done anything to stop the loud music that is being played late into the night directly below his unit. The board should:

- a. Acknowledge that warning letters have been sent to the offending suite, and ask other owners if they have also had problems with this suite
- b. Inform the owner of unit 701 that this is a matter that should be referred to condo management after the meeting
- c. Inform the owner of unit 701 that there is nothing that can be done about the matter

Module 12: Modifications to the Common Elements

12.1 Summary

This module provides basic information about the process to be followed when the condominium or a unit owner wishes to make a modification to the common elements.

12.2 Learning objectives

Upon completion of this module, you should be able to:

- Describe the process to be followed by a condominium when it wishes to make modifications to the common elements; and
- Describe the process to be followed by unit owners who wish to make modifications to the common elements within or near their units.

12.3 Introduction

There are two sections in the Condominium Act, 1998 (“the Act”) that address the process to be followed when modifications are proposed to the common elements:

- [Section 97](#) covers modifications made by the condominium; and
- [Section 98](#) covers modifications made by the unit owners.

Under section 97, some common element modifications can be made without notice to owners. For other modifications, notice must be provided to owners, giving them an opportunity to requisition a meeting if they want to discuss and vote on the modification. It is important to know what type of modification is being considered so that the appropriate process is followed.

Under section 98, modifications to the common elements made by a unit owner require board approval and the signing of an agreement that is registered on title to the unit.

Certain proposed modifications that are put forth by an owner may require notice to owners.

12.4 Section 97: Modifications made by the Condominium

Application

Under [section 97](#) of the Act, modifications by the condominium are:

- Additions, alterations or improvements to common elements;
- A change in the assets of the condominium; or
- A change in the services that are provided to the owners.

When the condominium is making a repair that it is obliged to make, and it does so using materials that are reasonably close in quality to the original materials (in accordance with current construction standards), this is not considered a modification.

The courts have recognized the challenges of evaluating whether the work that has been done, is up to current construction standards, and have recognized the need to be flexible. Therefore, Boards also need to make this determination carefully. Example – Little v. Toronto Condominium Corporation No. 590

The courts found that in the case of Little v. Toronto Condominium Corporation No. 590 it was not considered as a ‘modification’ when a condominium replaced a vinyl canopy over the entrance door with a glass canopy. The reason given, was that modern condominiums typically have glass canopies.

Modifications without notice

A modification can be made by the condominium corporation without notice to unit owners in the following circumstances:

- To comply with an agreement for the mutual use, provision, maintenance or cost sharing of facilities or services, or to comply with an applicable law
- To comply with any applicable law, including any regulation or by-law made under any applicable law
- To ensure the safety or security of people using the condominium’s property or assets, or to prevent imminent damage to the property or assets
- Unless the regulations provide otherwise, the cost of the modification in any given month is no more than the greater of:
 - \$1,000, or
 - 1% of the annual budgeted common expenses.

The following are some examples of modifications that are made by a condominium which would typically not require giving notice to the owners:

- Adding security cameras for an area of the site that lacks coverage and represents a safety risk; or
- Making a change to comply with a legislative requirement.

Modifications made with notice

A condominium can propose to add to, alter, or improve the common elements or make changes to the assets or services that are provided by the corporation by sending a notice to owners that:

- Describes the proposed addition, alteration, improvement or change;
- Contains a statement of the estimated cost of what is proposed and how it will be paid for;
- Specifies that the owners have a right to requisition a meeting within 30 days; and
- Contains a copy of sections 46 and 97 of the Act dealing with modifications and with requisitioning a meeting of owners.

Notice is required for any modifications that are not covered by the condominium's obligation to repair and maintain. This information is covered in another module.

Following the notice, owners can requisition a meeting. They can vote against the modification at the meeting, in person or by proxy. If no meeting is called or one is called but no vote is made against the modifications, the condominium can proceed.

In conclusion, a corporation may proceed to make a change on notice to owners provided that the owners have not requisitioned a meeting within 30 days of receiving the notice; and if a requisition meeting is called, they did not vote against the modifications.

Modifications requiring Owner approval

Substantial modifications to the common elements require owner approval.

The Act defines a “substantial modification” as a change to the common elements with a total cost that is more than 10% of the corporation’s budgeted common expenses for the current fiscal year.

A modification is also substantial if the board elects to treat it as substantial. A board might want to do this if a relatively low-cost modification might be considered controversial. For example, the board might want the owners to vote on whether they want to install a playground, even if the playground does not meet the financial threshold.

A substantial modification requires the approval of the owners who own at least two thirds of the units in the condominium.

This approval must be done by vote at a meeting called for that purpose. Getting enough unit owners to attend the meeting (in person or by proxy) and participate in the vote may make obtaining this approval very difficult.

The question put to owners should be clear and unambiguous and should ask directly if they approve of the proposed modification. Owners must be asked if they are voting in favour of or against the proposed modification.

Although the processes for making modifications under section 97 can be challenging, boards should not attempt to hide modifications by sub-dividing a project into multiple sub-projects so that the costs fall under the thresholds. Directors could be held personally liable if they attempt to circumvent this process under the Act.

Knowledge Check 12-1

If a condominium wishes to make a modification to the common elements, they are required to request approval for the modification from the unit owners if the modification is:

- a. required to prevent damage to the property;
- b. for repair purposes, and uses materials that are reasonably close in quality to the original materials; or
- c. considered “substantial”.

12.5 Section 98 – Modifications made by Unit Owners

In some situations, [unit owners may wish to make an addition, alteration or improvement](#) to the common element(s) within or near their unit. For example, they may wish to tile their exclusive-use balcony.

If an owner wishes to make a modification to a common element, these steps must be followed:

- The owner must submit their proposed modification to the board for approval;
- The board may consult a third-party, such as an Engineer, to review the proposed modification;
- The owner and the condominium corporation must enter into an agreement that sets out:
 1. how the costs of the change will be allocated between the owner and the corporation,
 2. the duties and responsibilities related to the modification, such as who will be responsible for the costs of repair, maintenance, and insurance, and
 3. who will have ownership of the proposed addition, alteration or improvement to the common element;
- The agreement must be registered on title to the owner's unit. This gives future purchasers notice of the agreement.

Board approval for the proposed modification is provided to the owner by a board resolution. In deciding whether to approve a modification, the board will consider a range of matters.

Notice to owners is required if an owner proposes modifications, which would, if proposed by the board, require notice to owners by the board. In other words, the obligation to provide notice depends on the modification that is being proposed.

For modifications to exclusive use common elements, notice to owners is not required if the board is satisfied that the modification would not:

1. have an adverse effect on other units;
2. give rise to expense to the corporation;
3. detract from the appearance of the buildings or affect the structural integrity of the building;

4. contravene the declaration, the by-laws or rules; or,
5. have an adverse effect on the rest of the common elements.

Knowledge Check 12-2

True or False?

1. All modifications made by an owner to the common elements must be approved by the board.
2. The modifications agreement between the owner and the condominium (i.e., a section 98 agreement) must be registered on title to the owner's unit.
3. The cost of modifications may be shared by the unit owner and the condominium.

Module 13: Repair and Maintenance

13.1 Summary

This module provides an overview of repair and maintenance responsibilities between unit owners and the condominium corporation.

13.2 Learning objectives

Upon completion of this module, you should be able to:

- Describe key terms related to repair and maintenance;
- Understand the importance of a maintenance plan; and
- Understand how to determine repair and maintenance obligations of unit owners and the condominium.

13.3 Understanding Key Terms

To help you understand this module better, it's important to know the following key terms:

- **Maintenance** includes the obligation to repair after normal wear and tear;
- The obligation to repair means after damage or failure;
- The corporation is not responsible for repairing or insuring **improvements** made to a unit; and
- When the corporation is required to repair after damage, they are obliged to repair up to the level of a **standard unit**.

What is a standard unit and why is it important?

A standard unit is defined in the declaration or by-laws. This definition provides a specific list of items that your condo corporation considers part of a standard unit. Anything not included in this definition or list would then be considered improvements and their repairs and insurance are the responsibility of the owner. For example, some items like flooring and countertops may not be considered “standard” in every condo corporation.

13.4 Maintaining the Common Elements

Regular maintenance has the potential to increase the lifespan of building components and minimize long-term costs associated with maintenance, repairs and replacements.

To effectively manage regular maintenance, all condo corporations should have a maintenance plan outlining the components they are responsible for and providing a schedule for inspecting each component at least once a year.

Inspections play a crucial role in identifying maintenance needs, while corrective and preventative maintenance activities are necessary to address issues and preserve assets. The benefits of implementing a maintenance program include improved safety and risk reduction, financial savings, and a decreased likelihood of facing lawsuits.

13.5 Determining Repair and Maintenance Obligations

The responsibility to maintain and repair after damage varies from condo to condo. This section will take you through a series of questions to consider when determining repair and maintenance obligations.

Is the area a part of the unit, common elements, or exclusive use common elements?

Review the schedules in the declaration for clarification on unit boundaries and common elements. “Schedule C” in the declaration may define the boundaries of units and common elements, whereas “Schedule F” may specify any exclusive use common elements.

What does the declaration state?

Certain repair and maintenance obligations that are set out in the Condo Act can be altered by a condominium’s declaration. These provisions may:

- Extend the circumstances under which owners must repair their unit after damage;
- Require owners to maintain the common elements or any part of them; or
- Require the maintenance of exclusive use common elements.

Note: Most declarations contain information that describes repair and maintenance obligations.

What if the declaration does not specify?

While uncommon, if the declaration does not specify repair and maintenance obligations then you must follow the Condo Act.

This means that the corporation is responsible for repairing the units and common elements, as well as maintaining the common elements. On the other hand, owners are responsible for maintaining their unit and repairing any improvements to their unit.

Remember: Corporations are responsible for repairs up to the standard unit level. Maintenance includes addressing repairs due to normal wear and tear.

What if the damage is from a major peril?

The condo corporation is obligated to maintain insurance for damage caused by major perils, including fire, water escape, and others. The corporation is responsible for repairing damage to units and common elements caused by major perils up to the standard unit level, excluding repairs to improvements. It is crucial for owners to understand they are responsible for addressing any gaps in coverage with personal condo insurance.

What if the damage is to a common element modified by a unit owner?

An owner must enter into an agreement with their condo corporation prior to modifying common elements. Damage to improvements made by an owner will be determined by the agreement terms registered on title between the owner and the corporation. For more information on this topic, review our module on “Modification to the Common Elements”.

Knowledge Check 13-1

Why is it important for condo corporations to have a maintenance plan for building components?

- a. Regular inspections identify maintenance needs
- b. Reduced long-term costs
- c. Improved safety and risk reduction
- d. All of the above

13.6 Frequently Asked Questions

What is the corporation's right of entry to a unit?

The corporation has the right to enter a unit, as outlined in Section 19 of the Condo Act, with reasonable notice. Authorized individuals can enter to fulfill the corporation's duties and exercise its powers. As a best practice, condominium corporations should provide a minimum of 24 hours' written notice in non-emergency situations.

What if an owner does not complete required maintenance or repairs?

If the declaration states that an owner is responsible for maintenance or repairs after damage, and they fail to do so within a reasonable time, the corporation can perform the necessary work. This cost will be added to the owner's common expenses. Review section 92 of the Condo Act and the collections and liens module for more information.

Are repair and maintenance obligations the same for all condominium corporations?

Responsibilities for repair and maintenance can vary between condo corporations. According to section 91 of the Condo Act, each condo corporation has the authority to modify its repair obligations within its governing documents. Therefore, it is essential to review these documents carefully to determine who is responsible for repair and maintenance duties.

Module 14: Overseeing Condo Managers

14.1 Introduction

This online course will provide condominium directors with a deeper understanding of the role of the condominium manager as well as the condominium board's duty to oversee the condominium manager's work and ensure the best interests of the community are met. Please note that this course is best taken together with the [CAO Guide for Overseeing Condo Managers](#).

14.2 Learning Objectives

This course has been developed to help you understand the condominium board's role in working with a condominium manager. It is important to understand that, as a condominium director, you play an active role in overseeing the work of the condominium manager.

Upon the completion of this course, you will be able to:

- Describe the legislative framework governing condominium management services
- Describe the role of the Condominium Management Regulatory Authority of Ontario (CMRAO)
- Describe the role of the condominium manager; and
- Describe the lifecycle of working with a condominium manager, including:
 - Planning: Laying the framework to hire a compatible condominium manager;
 - Working: creating an effective working relationship;
 - Developing and Improving: Managing performance issues as they arise; and
 - Terminating: Transitioning and protecting the community should you need to terminate the working relationship.

14.3 CMSA and CMRAO

The Condominium Management Services Act, 2015 (CMSA) defines condominium management services, sets out Licensing requirements, regulates condominium managers and management providers and defines the powers of CMRAO.

The Condominium Management Regulatory Authority of Ontario (CMRAO) is a not-for-profit corporation established in November 2017 by the Government of Ontario. CMRAO plays a crucial role in ensuring consumer protection and regulatory oversight in Ontario's condominium sector. Some key facts about CMRAO:

- **Regulatory Role:** CMRAO serves as a regulator for condominium management in Ontario, overseeing licensing and compliance for condominium managers and management provider businesses.
- **Consumer Protection:** CMRAO's primary goal is to protect Ontarians living in and investing in condominiums by ensuring high standards of professionalism and ethics in condominium management services.
- **Licensing System:** CMRAO administers a mandatory licensing system for all condominium managers and management provider businesses operating in Ontario.
- **Public Registry:** CMRAO maintains an online public registry where information about licensed condominium managers and provider businesses is accessible to the public.
- **Compliance and Ethics:** CMRAO promotes and enforces compliance with the Condominium Management Services Act (CMSA).
- **Complaint Handling:** CMRAO addresses public complaints through investigations and appropriate corrective actions, contributing to maintaining trust and integrity in condominium management services.

Licensing Requirements

To provide condominium management services in Ontario, a person or company must obtain a licence from the CMRAO.

The CMRAO issues three types of licences.

1. **Limited Licensee:** A limited licensee holds an “entry-level” licence and cannot directly provide condo management services to a condo corporation. Instead, they must work for a licensed condominium management company. While serving a condo corporation, they must be supervised by a condo manager with a general licence. Any contract, agreement, or expenditure over \$500 requires approval from their supervising licensee. Additionally, limited licensees cannot manage reserve funds or sign status certificates.
2. **General Licensee:** A general licensee is a person who has:
 - At least two years of condominium management work experience within the past five years; and
 - Met the educational requirements in accordance with the regulations.
3. **Condominium Management Provider Licensee:** A condominium management provider licence is issued to companies, which can be corporations, partnerships, sole proprietors, or any organization that offers condominium management services for a fee.

Holders of a Condominium Management Provider License must:

- Designate a principal condominium manager that holds a General Licence or Transitional General License
- Provide proof of Errors and Omissions and Fidelity insurance

Key Legal Obligations for Licensees

Licensees play a critical role, balancing their obligations under the Condominium Management Services Act (CMSA) with the requirements set by both the CAO and CMRAO to serve their clients effectively.

When acting on behalf of a client, managers must meet legal requirements, provide accurate information and guide the board in understanding its obligations under the Condo Act and CMSA.

Some key legal obligations for licensees (managers and management companies) under the CMSA include:

- Managers and companies must have a written contract with the condo corporation
- Managers must disclose any conflicts of interest and obtain approval before entering contracts
- Licensees cannot solicit proxies for meetings or engage in fraudulent activities
- Licensees must not falsify information or assist in contravening the CMSA or Condominium Act and its regulations
- Upon termination, licensees must return all condo-related documents and records within 15 days

The CAO and CMRAO share information and work together in delivering their respective consumer protection mandates.

For more details, visit www.cmrao.ca.

14.4 The Role of a Condominium Manager

What does a condominium manager do?

At a high level, the condominium manager acts as a central liaison between owners and the board of the condominium corporation. They run the day-to-day affairs of the condominium and assist the condominium board in executing its responsibilities.

The [CAO Guide for Overseeing Condo Managers](#) describes condominium managers as the 'glue' of an effective condominium community. An effective condominium manager can be the difference between a cohesive, happy community, and one that is plagued by conflict and re-occurring issues.

As a condominium director, you will need to be part of negotiating a contract with your condominium manager that best meets your needs as a board. Below are some general duties a condominium manager may be responsible for. Note that there may be additional responsibilities not included in this list.

- Managing owner contributions to common expenses, chargebacks and other payments collected by the condominium corporation
- Attending and participating in condominium board meetings
- Managing documents and records for the condominium corporation

- Managing banking and financial affairs
- Implementing emergency management plans and responding to emergencies
- Issuing meeting notices and report on the business of the condominium corporation
- Monitoring the status of the condominium corporation's insurance
- Responding to owners or resident complaints
- Overseeing the work of any third-party service providers or contractors.

Remember, your role as a member of the board is to make choices that are in the best interest of the condominium corporation, and decisions related to condominium management services are often some of the most important decisions that boards will make.

Refer to the [CAO Guide for Overseeing Condo Managers](#) for more information on job duties and the condominium manager's role.

14.5 Overseeing Condominium Managers Lifecycle

The steps we will explore are:

1. Planning for effective condominium management
2. Working effectively with the condominium manager
3. Developing and improving performance; and
4. Termination of the condominium manager relationship

14.6 Planning

Before we take a closer look at the first step, planning, consider this **sample scenario**:

The Griffith Meadows condominium corporation recently held their Annual General Meeting, during which a new condominium board was elected. None of the new condominium directors have any experience with being on a condominium board, so they are relieved and happy to know that the condominium corporation already has a third-party in place to provide condominium management services.

The condominium board accepts the existing job design for the condominium manager, Gerry, including working conditions and hours of service. During the

first few weeks, the condominium directors notice that Gerry has some 'interesting' personality characteristics and a unique working style, but they agree it's difficult to influence him as he is already established in the role.

Planning is all about putting the building blocks in place to ensure you select the right condominium manager for the position. In the scenario, this choice has already been made for Griffith Meadows board. However, planning is an important step in defining the role of a condominium manager.

Performing Due Diligence

"Planning" is all about understanding the unique needs of your condominium corporation and how that can help you plan for an effective relationship with your condominium manager – remember, the more time spent planning, the better your outcome will be.

Condominium boards should consult their governing documents (the Condo Act, declaration, by-laws and rules) before making any major decisions about the duties of the condominium manager.

Once the condominium board has done their due diligence concerning the governing documents, they should also:

- Check the Licencing status of the condominium manager;
- Check the existing job description for the role; and
- Identify a single point of contact with the condominium board.

Another key part of selecting the right condominium manager of the job is determining the scope of services you would like the condominium manager to provide.

Scope of Services

Condominium boards must align their expectations on what they expect the role of the condominium manager to look like. Most condominium service agreements define the scope of duties and authority of the condominium manager in a similar way, and include services concerning:

- Financial matters and bookkeeping;
- Condominium administration;
- Purchasing support;

- Maintenance management and coordination;
- Communication;
- Project management;
- Attendance at condominium board meetings;
- Coordinating meeting minutes; and
- Other services, as needed.

More information on all these can be found in the [CAO Guide for Overseeing Condo Managers](#).

Learning Activity 14-1

Based on the Griffith Meadows scenario, is it always a good thing to have a condominium manager in place if a new condominium board is elected?

- Yes
- No

The Two Types of Condominium Management

After deciding on the scope of services, an important step is to decide on the which condominium management approach the board will take. There are two common approaches to obtaining condominium management services:

1. A condominium corporation may choose to contract a third-party company to provide condominium management services; or
2. A condominium corporation may choose to directly employ a condominium manager to provide these services.

When choosing which approach will work best for your condominium corporation, consider asking questions such as:

- How complex are the condominium's operations?
- How large is the physical environment?
- How active are our condominium directors on the condominium board, and what skills do they bring? What skills does the condominium board lack?

Whether a third-party provider or employee provides condominium services, the duty of the condominium board to oversee the work of the condominium manager cannot be delegated. The condominium board has ultimate accountability for managing the affairs of the condominium corporation. Decisions related to condominium management services are often some of the most important decisions that a condominium board will make. Depending on the unique needs of their condominium corporation, a condominium board may choose either of these approaches.

These options are further described in the [CAO Guide for Overseeing Condominium Managers](#).

14.7 Working

Let's check in on the Griffith Meadows board in our scenario:

As the condominium board continues to work with Gerry, they are gaining a better understanding of how things have worked in the past and what he is doing from a day-to-day perspective. While some things seem to be running smoothly, they notice there are a few areas that need improvement. Though it's not always clear what Gerry is doing, things are getting done. As such, the condominium board feels that there is no specific cause for concern at this time.

The condominium board is now focusing on their upcoming board meeting.

Next, we will start learning about what you can do in order to create an effective working relationship you're your condominium manager.

Personality and Work Habits

This second step in the lifecycle involves setting yourself up for success in order to work effectively with the condominium manager. One thing you will want to consider is the working style and personality characteristics of the condominium manager, and whether or not you will have a compatible working style. In general, you want to look for a condominium manager that exhibits:

- Proactivity;
- Organizational skills;
- Attention to detail;
- A calm demeanor;
- Ability to multi-task;

- Ability to work independently;
- Leadership skills;
- Communication skills;
- Problem solving skills; and
- Ability to manage stressful situations.

Most condominium managers will work eight-hour shifts Monday to Friday, though that may change depending on the unique needs of your condominium corporation. That being said, most condominium managers should also be prepared to accommodate board meetings, special projects, or emergencies that will fall outside a standard workday.

Setting Clear Goals and Objectives

You will also want to set clear goals and objectives with a condominium manager. Above all else, a successful condominium board will ensure that these conversations are held early and often, and the condominium manager is clear on what is expected of them.

Setting objectives can be done informally, as a casual conversation with the condominium manager, or through a more formal approach. It may be helpful to set your objectives using the SMART framework – ensure any goals you set are:

- **S**pecific;
- **M**easurable;
- **A**ctionable;
- **R**ealistic; and
- **T**imely.

It is your responsibility as a condominium board to build a good working relationship with the condominium manager. Create open lines of communication, ensure day to day responsibilities are getting done and work on implementing a formal reporting process, including tracking tools the condominium board can use to monitor the condominium manager's success.

Effective Reporting

All condominium managers must report to the condominium board, and you should ensure that, at every board meeting, the condominium manager reports on:

- Their activities since the last report;

- Financial statements, including variance reports;
- Collections and arrears;
- Status of major projects and procurements;
- Owner complaints or other issues; and
- Their upcoming activities.

While you will not interact with the condominium manager on a daily, or even weekly basis, it is a good practice for the condominium board president to meet with the condominium manager before every meeting to catch up on important details, coordinate reports, and discuss how major issues could be managed.

Learning Activity 14-2

Which of the following is a SMART goal?

- a. A meeting package, including proposed agenda, previous meeting minutes, financial statements, and any supplementary documents, must be delivered to condominium board members at least one week in advance of a meeting.
- b. The condominium manager must provide a meeting package to all condominium board members.

Asking Key Questions

One of the best things that you can do when working with your condominium manager is to ask questions, probe or challenge the information that you have been given, and make your voice and/or concerns heard in an effective way.

Here's how you can do this:

- Ask tough questions where necessary. It can be helpful to discuss with fellow condominium directors the benefits of being forthright with comments or concerns, and come to an agreement that the board meeting is a safe space for open communication;

- Remember you are acting in the best interests of all condominium owners; get clarification when you need it to ensure you understand the decisions being made;
- Communicate in person rather than through email; and
- Create the moment to have difficult conversations instead of avoiding the issue – speak to the board president directly if you need to.

Remember – asking tough questions doesn't make you a bad person, it makes you a good condominium director!

When is the right time to ask a question about information that has been provided to you by the condominium manager?

The correct answer is anytime!

When things go wrong, sometimes directors can look back and realize that they failed to ask questions when there were concerns or information that didn't make sense. Other times, condominium directors don't know there is something wrong because no one asks the right questions and decisions are not appropriately thought through.

It's important, in your role as a condominium director, to ensure you feel comfortable asking tough questions when necessary. Remember, it is your responsibility to represent owners.

14.8 Developing & Improving

Time to check in on our scenario again:

One year into the new condominium board's term things are generally going well. While there have been a few issues with Gerry, such as late delivery of meeting packages and some mishandling of owner complaints, he is well liked by both owners and directors.

When it comes time for Gerry's performance review, the condominium board runs into some difficulty. One condominium director keeps resisting any negative feedback and seems to be advocating for Gerry to get a raise, but the other condominium board members are aware that he and Gerry have become good friends.

Let's take a closer look at developing and improving the condominium manager's performance, and, with this scenario in mind, see if you can determine what this board should do.

Addressing Performance Issues

Note that, when addressing performance issues, how you address them will depend on whether you have a directly employed condominium manager, versus a contracted condominium management provider.

With a directly employed condominium manager, the condominium board will take the lead in establishing career goals, identifying opportunities to improve, and establishing a process for conducting performance reviews.

In a third-party relationship, the condominium board must establish and communicate priorities with the condominium manager but, in most cases, formal performance management often comes from the third-party condominium management provider.

The condominium board should proactively and periodically communicate with the third-party provider to:

- Share performance feedback (positive and negative);
- Discuss any specific concerns; and
- Identify opportunities to support the condominium manager in making necessary improvements.

In all cases, performance management should be a fair and transparent process. Refer to the [CAO Guide for Overseeing Condo Managers](#) for more information on this topic.

Setting up a Performance Management Process

Performance management discussions are all about helping the condominium manager be successful in their role. To create a successful performance management process:

- Organize a meeting in person where possible;
- Set up the performance discussion for the end of the workday;
- Deliver a copy of the performance feedback in advance;
- Be specific when giving the feedback;
- Be collaborative and work together to set goals; and
- Be honest.

Remember too that you should recognize and reward good performance while managing underperformance or undesirable behaviour.

Refer to the [CAO Guide for Overseeing Condo Managers](#) for more information on developing an effective performance management process.

Consider our scenario. What do you think the condominium board should do to approach the issues they are having with Gerry's performance?

It's important for the condominium board to work with Gerry to understand what is going on with him. Is he clear on their expectations? Are there other issues getting in the way of his performance?

The condominium board should then have a serious performance management discussion where they describe what they expect in very clear and specific terms and note, in writing, everything that is agreed to.

The condominium board should continue to monitor Gerry closely. It's hard to have tough conversations about job performance when you are closely involved with them on a personal level but it's important to remember the board role in providing oversight.

Respectful Communication

Condo board directors should demonstrate respect towards managers by sharing feedback and providing guidance in a constructive and courteous manner and fostering a collaborative environment that sets a positive tone for all community members.

It's important to remember that respect is a two-way street – managers also need to treat directors and all community members with the same level of respect.

This mutual respect ensures effective communication and strengthens the partnership between directors and managers, ultimately benefiting the entire condo community.

The Board-Manager Relationship

It is important to understand that the manager works for the condominium corporation and personal relationships between the condominium directors and the condominium manager that are too close can complicate this dynamic. To ensure this doesn't happen, have clearly defined roles and responsibilities, and

ensure these are maintained when new condominium directors are elected to the condominium board.

So, what constitutes too personal in your relationship with a condominium manager?

- Paying them a social visit at their home or inviting them to yours during off-hours, unless other condominium board members are also invited;
- Discussing intimate details of your personal lives, such as romantic relationships or employment situations;
- Participating in or listening to gossip related to residents or other board members;
- Confiding in them about your personal business; and
- Discussing matters with them that other board members are not aware of.

Rather, it's okay to:

- Enjoy a laugh during meetings and enjoy each other's company;
- Engage in personal small talk (for example, the birth of a child, vacation plans, etc.)
- Show concern and care for achievement of their career goals, or effort to improve performance
- Create an opportunity for them to share questions or concerns about their employment; and
- Socialize to a limited extent (for example, attending a holiday party).

A commonly used rule of thumb is that socializing with the condominium manager is probably okay if other condominium board members are present.

What are some possible consequences of developing too close of a personal relationship with your condominium manager?

It's important to ensure that the relationship you have with your condominium manager is kept at the right professional level - not personal. Having a too close

personal relationship can result in a situation where you feel uncomfortable asking difficult questions and making tough decisions. Developing a relationship like this could cause you to lose your objectivity.

14.9 Termination

It is now two years later, and Gerry's performance has declined considerably. The condominium board escalates their concerns to the third-party provider and considers asking for a new employee to be assigned to their building, but they do not get a satisfactory response. Ultimately, they decide they need to terminate their relationship with the third-party provider, as well as with Gerry.

After looking again at the two different condominium management approaches, the condominium board decides to proceed with a full-time employee instead of third-party service provider. They recruit and select a new employee as a condominium manager and begin the process of setting expectations, and monitoring performance to get the new employee up to speed and minimize disruptions to the condominium community.

Next you will learn more about what you should consider before taking this step with your own condominium manager, should the need arise.

Serious Performance Issues

No condominium manager will be perfect, but it's important you are aware that some behaviour can't be ignored. Some symptoms of serious performance issues include:

- Behaviour that does not improve after discussion;
- Failure to meet important deadlines or milestone tasks;
- Repeated absenteeism or tardiness;
- Refusal to participate or provide assistance in resolving issues;
- Excessively slow communications with condominium board or community;
- Increased complaints from owners about service quality, responsiveness, or attitude;
- Illicit activities and / or substances consumed on the condominium's property or during working hours;
- Physical threats, or verbal abuse of condominium corporation employees; and
- Workplace harassment complaints.

You will have to decide for yourself which behaviour will warrant potentially terminating your condominium manager.

Refer to the [CAO Guide for Overseeing Condo Managers](#) for more information.

The Transition Period

Should you decide to terminate the working relationship with your condominium manager, the transition period will need to be handled carefully.

The outgoing provider has contractual obligations to continue providing services up to the transition date and should provide reasonable assistance to the incoming condominium management provider. However, this is not always the reality, so be prepared to be a little more actively involved to ensure that nothing gets omitted.

You can reasonably expect the incoming condominium management provider to:

- Create a written action plan, outlining what different members of their team will be responsible for;
- Detail how they will work with the outgoing provider; and
- Provide key transition activities such as moving information into their databases, updating CAO's Public Registry and reviewing payables and receivables.

While there is no perfect time to transition, you can protect the interests of your condominium corporation by considering:

- Your year end;
- Timing of your AGM; and
- The timing of any special projects – consider delaying the start date of any special projects, to allow them to be managed by the new condominium management provider.

Refer to the [CAO Guide for Overseeing Condo Managers](#) for more information on the transition process.

Communicating to the Owners

Usually, the change of condominium management providers is not communicated to owners until after written notice has been given to the existing provider, and a contract has been signed with the new provider. However, you may wish to let owners know that a search for a new provider has begun and explain why.

Keep in mind that you should:

- Ensure your message reaches owners first, and they don't have to hear the news secondhand;
- Acknowledge that this represents a significant disruption to the condominium corporation's business;
- Consider adding other communications events such as informal introductions or hosting an informal 'meet and greet' with the new condominium manager; and
- Allow owners the opportunity to ask any questions they may have of the condominium board, and the incoming condominium management provider.

As with all communication to owners, transparency is key.

Reflecting on the Overseeing Condominium Manager Lifecycle

Throughout this course we have been talking about the lifecycle of working with a condominium manager, which involves planning, working, developing and improving, and terminating.

Take out a piece of paper or open a Word document and take a few minutes to think about the entire overseeing condominium manager lifecycle. Reflect on what is working well and areas that may need improvement.

14.10 Summary

In this course, you have learned about:

- The role of the condominium manager
- The lifecycle of working with a condominium manager, including:
 - Planning
 - Working
 - Developing & Improving
 - Terminating

At the back of the [CAO Guide for Overseeing Condo Managers](#), a checklist has been provided for your use that outlines the major activities or tasks that a condominium board should complete when hiring or contracting a condominium manager. We highly recommend that you utilize this resource.

Module 15: Finance Fundamentals

15.1 Summary

This module provides basic information on what board members need to know about their condominium's financial statements and other financial aspects of the board's role.

15.2 Learning objectives:

Upon completion of this module, you should be able to:

- describe financial fundamentals for a condominium corporation; and
- describe the board's obligations in overseeing the finances of the condominium on behalf of all owners

15.3 Annual budget and common expenses

Board members have a “standard of care” in managing their condominium's financial position and making sound financial decisions. This involves taking care to read monthly reports, being able to understand and interpret financial information and taking responsibility for the condominium's budget.

Annual budget

The condominium's [annual budget](#) is a formal, detailed, written plan for how the condominium's funds will be spent in the upcoming fiscal year. The budget identifies the sources of income and the amount of money the board anticipates spending on activities, services, operations and upkeep of the common elements.

The budget is the basis for calculating owners' common expenses fees and must account for all the work that needs to be completed from the operating budget and from the reserve fund budget.

A condominium's budget is set annually.

Operating and reserve fund budgets

The operating portion of the budget identifies all the services and costs of running the condominium on a day-to-day basis. The operating budget should

reflect any new costs or increases that the condominium is responsible for (such as utility rate increases or the frequency of having the windows washed).

A component of the budget is the amount that will be contributed to the [reserve fund](#). A reserve fund is an account whose funds are solely used to pay for major repairs or replacement of the common elements or assets of the condominium, for example replacing a roof. Reserve funds are discussed in greater detail in another module.

Common expenses fees

The [common expenses fees](#) (also known as condo fees and maintenance fees) are used for maintaining the condo corporation's common elements, contributions to the reserve fund, and paying for important services such as cleaning, building maintenance and condo management services.

The common expenses fees owing for each unit are calculated by multiplying the total budget by the percent allocated to that unit for common expenses, as per Schedule D of the declaration.

After drafting the budget, the board should promptly notify owners and, if applicable, explain any unexpected increases. It is also important to encourage community engagement by considering holding a meeting to update owners and gather their input on significant increases.

The condominium's by-laws set out the payment method for how unit owners are to pay their common expenses fees. Common methods of payment include post-dated cheques, pre-authorized payment, or online electronic payments.

Knowledge Check 15-1

True or False?

A condominium's by-laws set out the payment method for how owners should pay their common expenses fees.

15.4 Financial statements

If the corporation is not self-managed, condominium managers are typically tasked with the preparation of financial statements. In cases where this isn't carried out by the managers, the responsibility falls on the board to ensure all necessary statements are produced.

All board members should receive a copy of the financial statements. At a minimum,

The statements must include:

- A balance sheet more commonly called a statement of financial position
- A statement of general operations
- A statement of changes in financial position more commonly called a cash flow statement
- Prescribed information relating to the reserve fund study and the operation of the reserve fund
- Indication of remuneration paid to directors and officers
- Any additional statements or information that the regulations require

15.5 Effective Financial Reporting at Board Meetings

Monthly financial statements are unaudited reports that summarize the financial activities of the condominium corporation.

To enhance board meeting productivity, monthly financial statements should be easily accessible to all directors and should be reviewed in depth for inaccuracies or errors. These statements can be shared electronically, posted on a secure portal, or included in the monthly report and meeting package.

During board meetings, the statements should be prioritized in the agenda, as the financial position of the condominium affects many of the decisions the board will make. The summary of the financial report at the meeting is typically presented by the treasurer or condo manager. The monthly financial report should explain significant cost variances from the budget, outline arrears collection, actions, and provide investment recommendations if any are coming due.

If there is a decision to make change to the financial statements, the board may make a motion for acceptance of this change. The minutes should reflect that the statements were reviewed and should capture any directions for action such as collections, investments and/or transfers, etc.

15.6 Audited financial statements

Once a year, after fiscal year end and before the annual general meeting (AGM), the board will be presented with both [draft audited financial statements and an auditor's report](#). These documents need to be reviewed carefully and approved prior to presentation to the owners at the AGM.

Audited financial statements are covered in more detail in another module.

Module 16: Reserve Funds and Reserve Fund Studies

16.1 Summary

This module provides an overview of reserve funds and reserve fund studies

16.2 Learning Objectives

Upon completion of this module, you be able to:

- Describe what a reserve fund is and the purpose of it
- take the necessary steps to establish a plan for maintaining an adequate reserve fund balance
- Understand types of reserve fund studies
- Please note that this module is best taken together with the [CAO Guide on Condo Reserve Funds](#).

16.3 What is a reserve fund study?

Condo corporations in Ontario must maintain two types of accounts.

A reserve fund is a distinct fund maintained by the condominium corporation that can only be used for the purpose of major repairs and replacements of the common elements and assets of the condo corporation.

The reserve fund serves an important function in making sure that the property is structurally sound, and that the condo corporation is financially secure.

16.4 Contributions to the Reserve Fund

Contributions to the reserve fund are mandatory.

A portion of the monthly common expense fees collected from each owner is paid into the reserve fund.

This amount is determined by the reserve fund study and the plan for future funding.

Before corporations complete their first reserve fund study, they must contribute the greater of:

- 10 percent of the operating budget; or

- The amount reasonably expected to provide enough funds for future repairs and replacements.

Once corporations complete their study, they must create a plan for future funding of the reserve fund that is reasonably expected to cover future repairs and replacements.

16.5 Reserve Fund Study Requirements

Ontario condo corporations are required to conduct periodic studies to determine their reserve fund needs.

There are three classes of reserve fund studies:

- A comprehensive of **class 1 study** is used to establish a 30-year financial projection for the condo corporation. This study is only completed once within a year of the corporation's registration.
- A **class 2 study** includes a physical and financial analysis with a site inspection
- A **class 3 study** includes a financial analysis without a site inspection.

Note that, after the class 1 study is completed, the class 2 and 3 study updates are completed on an alternating basis at least every three years.

16.6 Reserve Fund Study Contents

Content requirements are outlined in the Condo Act and its regulations. For example, Class 1 and 2 studies require both physical and financial analyses whereas Class 3 studies only require financial.

Physical Analysis

Physical analyses must include an inventory of each item in the common elements and assets of the corporation, called a "component inventory". This inventory must include all items that are expected to need a major repair or replacement within at least 30 years of the date of the reserve fund study and where the cost of replacement is expected to be at least \$500.

Additionally, the physical analysis will provide an assessment of each item in the component inventory. This includes the year it was acquired, its real or estimated age, its remaining life expectancy, the estimated year for its major repair or replacement, and the percentage of the cost that will be covered by the reserve fund as well as the left-over cost.

Financial Analysis

This study describes the financial status of the reserve fund and provides both a minimum fund balance for at least the next 30 years and a recommended funding plan for each of the next 30 years.

This funding plan includes the estimated opening balance of the reserve fund, the assumed annual inflation rate, the estimated annual interest rate and interest amounts that will be earned on the reserve fund, the sum of contributions and future earned interest, the percentage increase in recommended contributions from the previous year, and the estimated closing balance of the fund.

16.7 Who Can Conduct Reserve Fund Studies?

A reserve fund study must be prepared by a qualified reserve fund study provider. The legislation determines who can provide reserve fund studies, including licensed architects, engineers, quantity surveyors, appraisers, certified technologists and technicians, and members of the Real Estate Institute of Canada holding the “certified reserve planner” designation. The [CAO Guide on Condo Reserve Funds](#) provides a comprehensive list of qualifications for RFS providers.

The reserve fund study provider cannot have any conflict of interest with the condominium. For example, the reserve fund provider cannot be:

- A board member or have a conflict of interest with a board member;
- A director or officer’s spouse or child;
- An owner or resident in the condominium; or
- The condo manager.

All reserve fund study providers must have liability insurance that is valid at the time when the reserve fund study is completed and is kept valid for at least three years afterwards.

16.8 Plan for Future Funding

The Condo Act requires that, within 120 days of receiving a reserve fund study, the condo board must review the study and propose a plan for future funding of the reserve fund.

The plan for future funding needs to ensure that the reserve fund is adequately funded by the fiscal year after the study is completed.

Although the reserve fund study provider will supply the condo corporation with a funding plan as part of the study, condo corporations are not required by the Condo Act to follow these suggestions. However, condominium boards should be cautious in choosing to differ from the advice of professionals and experts.

16.9 Strategies for Funding the Reserve Fund

The primary strategy should be to incrementally increase common expense fees according to the reserve fund study and plan for future funding.

If money is needed more quickly, boards should carefully consider alternatives such as special assessments or loans.

Special Assessments

Owners may be required to pay a one-time fee or have the assessment broken up in several installments. Corporations should practice sound financial management to avoid these if possible as owners often resist them and may not be able to meet the requirement. Condo corporations should review their governing documents (declaration, by-laws, rules) for provisions on communicating during special assessments.

Loans

Consider borrowing money to cover shortfalls. Consult with your auditor or financial advisor to determine if this is a better option. Boards must pass a borrowing by-law, which requires approval from owners, to obtain a loan. Keep in mind, loans will incur interest costs for the corporation.

16.10 Notice of Future Funding

Within 15 days of proposing a plan for future funding, the condominium board must send the owners a notice containing a summary of the reserve fund study, a

summary of the plan for future funding and a statement indicating where the two differ, if applicable.

On the same day, the board must send the auditor a copy of the reserve fund study, plan for future funding, and notice of future funding.

As a last step, the corporation must wait 30 days before implementing the plan for future funding.

The [mandatory notice of future funding form](#) can be found on the CAO's website.

16.11 Reserve Fund Best Practices

There is no one-size-fits all approach to reserve funds and reserve fund studies. The [CAO Guide on Condo Reserve Funds](#) explains the following best practices in-depth.

Gathering Relevant Documents

When preparing for a reserve fund study, boards should gather relevant documents including governing documents, previous studies and funding plans, and financial records.

Participate Actively in the Reserve Fund Study Process

Boards should actively participate in the reserve fund study process by sharing knowledge about common elements and community concerns with the provider.

Consider Risk Factors

Costs and timelines of likely repairs and replacements are determined by the age and type of the corporation's components. Some components may pose higher financial and safety risks if they are not properly maintained. Studies assessing corporations with risk factors need to pay additional attention to ensure the reserve fund can adequately cover their long-term health.

Condition Assessments

Condition assessments are detailed inspections that assess the state of building components, providing comprehensive data for accurate reserve fund planning. Ask your reserve fund study provider if a condition assessment is a good fit for your corporation.

Communicate Openly with Owners

Owners should feel included in the financial well-being of their condo. Enhancing communication with owners to manage expectations can be achieved by fostering open discussions during owners' meetings and presenting information in a clear and straightforward manner.

Be Aware of Economic Conditions

Boards should keep track of how economic conditions are affecting the price of construction materials and work with their provider to adjust their reserve fund planning accordingly.

To address inflationary and economic pressures boards can strategically invest the reserve fund to offset inflation and consider conducting a Reserve Fund Study earlier than required to adapt to changing economic conditions effectively.

Knowledge Check 16-1

How often should the condo board update the reserve fund study?

- a. Only every 3 years as prescribed by the Act, as more frequent updates can cause disruption
- b. At a minimum every 3 years as prescribed by the Act, with early updates if the plan is not adequate
- c. There is no minimum period, as long as a qualified reserve fund study provider conducted at least one comprehensive study

Knowledge Check 16-2

How are the contributions to the reserve fund determined?

- a. Based on the condominium corporation's projected expenses for the fiscal year
- b. According to current economic conditions
- c. The amount is determined by the reserve fund study and the plan for future funding

Module 17: Auditors and Annual Statements

17.1 Summary

This module provides information about what the board members need to know about the role of the auditor and the auditor. It will cover [sections 60 to 71](#) of the Condominium Act, 1998 (“the Act”).

17.2 Learning objectives

Upon completion of this module you should be able to:

- understand the value and purpose of an audit;
- describe who can be appointed as an auditor & their role; and
- understand an auditor’s obligations to owners, including the information that should be provided in financial statements and auditor’s report

17.3 Introduction

Audited financial statements provide a snapshot of the condominium corporation’s financial position at a specific time, usually the last day of the fiscal year. Financial statements are audited to provide a third-party assessment of the condominium corporation’s financial position. It is important to note, however, that an audit is not:

- an examination of every transaction or document;
- an opinion on the efficiency of the oversight of the operations by the board or the condo manager;
- an opinion on the future financial health of the condominium;
- a review designed to uncover fraud.

Each set of audited financial statements is a record of the corporation with the most recent statements provided as part of the status certificate package for potential purchasers.

17.4 The auditor

An auditor must:

- be a person licensed as a public accountant under the Public Accounting Act, 2004; and

- conduct the audit in the manner and in accordance with the standards outlined in the Handbook of the Canadian Institute of Chartered Accountants.
- The Act [lists some](#) conflicts that would prevent someone from conducting an audit of the condominium.

The auditor cannot be:

- the condo manager or a partner, employer or employee of the manager;
- a director, officer or employee of the condominium or a partner, employer or employee of that person; or
- anyone with an interest in any contract to which the condominium is a party.

Knowledge Check 17-1

True or False?

1. An auditor is a person licensed as a public accountant under the Condominium Act.
2. The auditor can be the property manager or a partner, employer, or employee of the manager.
3. Financial statements are audited to provide a third-party assessment of the financial position of the condominium.

17.5 Appointment, removal and resignation

Appointment

At their first meeting, the [owners shall appoint](#) one or more persons qualified to be auditors to hold office as auditors until the close of the next annual general meeting and, if the owners do not do so, the board shall make the necessary appointments as expeditiously as possible.

At each annual general meeting (AGM), auditors are recommended by the board and appointed by the unit owners for the following year. A competitive process should be used when hiring an auditor for the condominium.

It is common practice for a board to recommend that owners re-appoint an auditor. The fees for the auditor are approved by the board.

The only exception to this process is when the owners do not appoint an auditor at the turn-over meeting. In this case, the first owner-elected board selects the auditor. At the next annual general meeting, the owners vote for reappointment or replacement.

If the unit owners fail to appoint an auditor, the existing auditor remains in the position.

Removal

The auditor may be removed by the owners at an owners' meeting called for that purpose. A replacement auditor must be appointed at the same meeting. If such a meeting is called, the auditor must receive notice and is entitled to attend and provide a written submission that must be sent out with the meeting notice. The detailed notice package and all material for the meeting must be provided to the auditor 30 days prior to the 15-day formal written notice going to the owners.

Resignation

Should an auditor resign from their appointment, their resignation will be effective either on the day the board is informed in writing or as specified in the resignation, whichever is later. The reason for the resignation must be distributed to the owners at the next owners' meeting.

Upon receiving the notice of resignation, the board may appoint anyone qualified to fill the vacancy.

If any part of this process fails, and as a result there is no auditor in place, any owner can apply to the courts to have an auditor appointed.

Exception

The owners of small (less than 25 units) condominiums can consent in writing not to have an auditor. This exception only applies if a condominium has held its turn-over meeting, has fewer than 25 units and 100% of owners consent in writing. This process must be repeated at every AGM.

If 100% of owners do not consent, then an auditor must be appointed. To be eligible to provide consent, unit owners cannot have fees in arrears by more than 30 days.

17.6 Auditor's access to the condominium's records

The board and the condominium management company (if any) have clear responsibilities during an audit. They must provide the auditor with any documents requested, including contracts, minutes and invoices.

The board, usually through its treasurer or condo manager, should ensure that the year- end accruals have been completed and that supporting ledgers, reconciliations and analysis are up to date. All supporting documents such as the latest reserve fund study, current contracts, the board meeting and AGM minutes and other such documents, must be available for the auditor to review.

17.7 Annual financial statements

For annual financial statements, it is important to ensure all invoices have been received and any accruals are accounted for prior to having the auditor review the statement.

The annual financial statement has a range of information, including an indication of the total amount paid to directors and officers by the condominium. The annual financial statements must follow generally accepted accounting principles, and must include:

- the budget for the year to which the statement applies
- a statement of financial position, operations, changes in net assets, cash flows and reserve fund operations
- information about the reserve fund study
- an indication of the total amount paid to directors and officers
- other information required by the regulations
- The financial statements must be approved by the board and signed by two directors before being presented at an AGM.

17.8 Auditor's report

Between the end of the fiscal year and the AGM, the auditor prepares a report on the annual financial statements. The auditor's report will:

- include a statement on whether the corporation's financial statements are in accordance with the requirements of the Act and the regulations; and
- include an analysis of reserve of fund operations in relation to the reserve fund studies that have been completed.

Note: The notice of AGM that is sent to the owners must also be sent to the auditor. At the meeting, the auditor can answer any questions from the owners about the audit report.

If the financial statements are amended by the board after approval, they must be provided to the auditor so that the auditor can revise their report.

Knowledge Check 17-2

True or False?

The financial statements must be approved by the board and signed by two directors before being presented at an AGM.

17.9 Tax returns

The auditor typically prepares not-for-profit tax returns for the federal and provincial governments within six months of the fiscal year end; and prepares these returns for signature once the financial statements have been approved and signed by the board.

17.10 Final note

Boards should be transparent and communicate openly with owners concerning the financial position of their condominium. The annual financial statements, and the audit report contribute to this process.

Module 18 Collections and Liens

18.1 Summary

This module provides information about the board's responsibility to collect common expenses (maintenance fees) from the owners, and the lien process.

18.2 Learning objectives

Upon completion of this module, you should be able to:

- Describe the processes available to condominiums to ensure that all owners pay their share of common expenses
- Describe management of common expenses
- Describe chargebacks
- Describe the collections and lien process

18.3 Collection of common expenses

Common expenses represent the financial obligation that is shared among all owners and are crucial in ensuring the operation and maintenance of a condo corporation.

Think about the processes in place in your condo to make sure fees are collected promptly. Simple steps like collecting common expenses fees at the start of the month and using pre-authorized or electronic payments can prevent late payments.

All owners must contribute to the common expenses and cannot be exempt.

18.4 Managing common expenses

The Act requires each condominium to maintain at least one general and one reserve fund account in the corporation's name.

Common expenses fees should be collected from owners and deposited into the general account. These fees cover both operating expenses and the reserve fund contribution. The reserve portion should be promptly transferred to the reserve fund account. This amount is determined by the plan for future funding of the reserve fund.

Boards should take the time to review the status of payments at every board meeting. Additionally, remember that once funds have been transferred to the reserve fund account, they must be used solely for major repairs and replacement of the common elements.

18.5 Chargebacks

A chargeback refers to the process of passing on costs incurred due to an owner's actions or omissions back to that owner through common expenses fees. This helps ensure that those costs are not passed on to the other unit owners.

The Condo Act identifies five circumstances under which a condo corporation can charge back costs:

1. The condo corporation can complete repairs or maintenance on behalf of an owner and charge them back for this. This can only happen if an owner is required to complete the work but does not do it.
2. Corporations may have by-laws that limit maximum number of occupants per condo unit. If a person fails to comply with the standard set in the occupancy by-law, owners can be charged reasonable amounts for any maintenance, repair costs and extra utility expenses that are incurred due to this violation.
3. Owners are responsible for any act or omission by a tenant or resident that causes damage to the unit. The corporation can charge the owner with the cost of the repair or the condo corporation's insurance deductible limit – whichever is less.
4. Corporations may charge costs plus interest to owners that fail to comply with agreements for any addition, alteration, improvement or change to the common elements.
5. Corporations can charge an owner for damages and costs obtained in a court order including legal fees.

Chargebacks are also allowed under a condo corporation's declaration. Review your declaration for additional instances when owners are required to reimburse costs for actions or omissions.

Knowledge Check 18-1

For each of the three statements below, select True or False.

1. Every owner must contribute to the common expenses and cannot be exempt.
2. Once common expenses fees are deposited into the general account, the reserve fund portion must be transferred to the reserve fund account immediately.
3. The declaration of a condominium corporation cannot require owners to indemnify and reimburse costs for actions or omissions.

18.6 What is a Lien and Certificate of Lien?

What is a Lien?

A lien is a claim or legal right against an asset that can be used to pay back a debt. An entity that is owed money may be able to seize the asset of the person that owes them and sell it so they can recoup the debt. Condominium corporations automatically have liens against an owner's unit if that owner does not pay their common expenses fees.

Why does registering a Certificate of Lien matter?

A lien automatically expires after three months unless the condo corporation registers a Certificate of Lien with the Land Registry Office.

1. Registering the lien ensures that the condo corporation has priority in recovering money.

2. If the lien expires, the condo corporation loses priority amongst other parties who have an interest in recovering the money.

18.7 Lien FAQs

How long does a corporation have to register a certificate of lien?

A corporation must register a certificate of lien within 3 months of when the default first occurred.

What are the minimum notice requirements before a certificate of lien can be registered?

At least 10 days before the day a certificate of lien is registered, the corporation must send a notice of lien to the owner whose unit is affected by the lien.

What does a certificate of lien cover?

Certificates cover all amounts owed under the liens, including common expenses incurred after the registration of the lien, interest, reasonable legal fees and costs to prepare the Certificate of Lien and a discharge of it.

What considerations should directors make prior to enforcing a lien?

Enforcing a lien is complex, costly, and time-consuming for both the condo corporation and the owner. While it is crucial for safeguarding the corporation's interests, boards should explore collaborative solutions whenever possible to minimize the associated time and financial burdens.

When must a condo corporation discharge a lien?

Owners can pay back any amounts they owe at any point during the lien process until their condo unit is sold. If they pay, the condo corporation must discharge the lien. Condo corporations rarely need to sell the condo units to recoup debts.

Knowledge Check 18-2

A condominium corporation:

- a. May register a certificate of lien any time an owner fails to pay his/her common expenses.
- b. Can register a certificate of lien against an owner's unit within three months of the default by the owner;
- c. May not register a certificate of lien against a unit at all.

Module 19: Finance

19.1 Introduction

This course is intended to be a generalized overview of what condominium directors need to know to make informed decisions when budgeting, reading and interpreting financial statements, handling reserve funds and more.

Please note that this online course is best taken together with the [CAO Guide on Condo Finances](#).

19.2 Learning Objectives

This course has been developed to help you make well-informed and fiscally prudent decisions for your condominium corporation.

Upon the completion of this course, you will be able to:

- Describe monthly, annual and audited financial statements
- Describe the key components of a financial statement and how to review them
- Describe the purpose of a budget and why accurate budgeting is critical
- Describe the purpose of a reserve fund
- Describe investment best practices

19.3 Understanding Financial Statements

Financial statements provide a picture of the financial position of your condominium corporation at a fixed point in time or over a longer period of time, such as a month, a year, or a year to date.

It is your role as a condominium director to know how to understand statements because this information is essential for making decisions for a condominium.

The biggest challenge facing condominium directors is the lack of awareness of what should be reviewed, or lack of attention to the statements.

There are two different types of financial statements you will see:

- Internal unaudited financial statements (prepared by management if not self-managed)
- Audited financial statements

Learning Activity 19-1

What are monthly financial statements?

- a. Reports that summarize the financial activities of a condominium corporation
- b. Optional reports that condominium directors may choose to review
- c. Audited reports that give an overview of the building's financial health
- d. All of the above

What is the difference between internal financial statements and audited financial statements?

Internal statements are prepared by the management company or the bookkeeper hired by the condominium corporation and can be monthly or annual; financial statements are prepared internally at the end of the year and are audited by an external auditor.

19.4 Key Components of a Financial Statement

Now that you are more familiar with the differences between an internal unaudited and an audited statement, and you are aware of the importance of regularly reviewing the monthly statements, let's take a closer look at the different components of the statement.

- A statement of financial position
- A statement of operations
- A fund statement

The sample statements below reflect a condominium corporation in a stable financial position, with the monies in the correct funds.

You may also always refer to the [CAO Guide on Condo Finances](#).

Statement of Financial Position

	A	B	C			
6				113		
7				114	LIABILITIES	
8				146		
9				147	OPERATING	
10				150	2000-0000 Accounts Payable - Operating	101,615.52
11				153	2100-0000 Accrued Liabilities - Operating	24,507.77
12	Account	Description	Year to Date	157	2200-0000 Accrued Audit	4,772.00
13				200		130,895.29
14		ASSETS		228		
15				229	RESERVE	
16		OPERATING		230	2300-0000 Accounts Payable - Reserve Fund	38,350.97
25	1000-0000	Bank - Operating Account	280,252.07	231	2400-0000 Contract Retention-Reserve	3,934.46
26	1001-0000	Petty Cash	150.00	232		42,285.43
27		Accounts Receivables		233		
28	1100-0000	Unit Owners	15,224.64	234	TOTAL LIABILITIES	173,180.72
29	1200-0000	Prepaid Insurance	30,252.42	235		
30	1100-0000	Prepaid Miscellaneous	2,539.05	236	FUND BALANCES	
31			328,418.18	273		
32				284	OPERATING FUND	197,523.39
33		RESERVE		285		
36	1500-0000	Bank - Reserve Account	1,203,848.90	286	RESERVE FUND	2,737,958.77
38	1600-0000	Investments - Reserve A/C	1,513,230.00	287		
47	1700-0000	Accrued Interest - Reserve Investments	63,165.30	289	CAPITAL ASSET FUND	100,000.00
76			2,780,244.20	290		
77				291	TOTAL FUND BALANCES	3,035,482.16
83		CAPITAL ASSETS		292		
87	1900-0000	Guest Suite	100,000.00	293	TOTAL LIABILITIES & FUND BALANCES	3,208,662.88
106						
112		TOTAL ASSETS	3,208,662.38			

The first line item you should check when looking at a Statement of Financial Position is the operating fund balance. As you can see, this statement shows a surplus. Note that there is a \$200,000 surplus, which seems reasonable. Overall, this condominium looks like it is in stable financial condition.

The operating fund section shows the assets of your condominium corporation and they are unrestricted.

The reserve fund is \$2.7 million, and the reserve fund section shows the reserve fund assets of the condominium corporation. These assets are restricted. Note that the reserve fund assets total \$2,780,244.20 and the liabilities total \$42,285.43. Subtracting the liabilities from the assets gives you the reserve fund total, which is the reserve fund balance at the bottom of the balance sheet. It's important these numbers match up – if the reserve assets minus the reserve liabilities are lower than the reserve fund balance, the condominium is breaking the law because all of the reserve money is not in the reserve fund account – some of it is sitting in the operating bank account.

Statement of Operations

	A	B	C
6			
7	ONTARIO CONDOMINIUM CORPORATION NO 123		
8	Summary Operating Statement		
9	For the year ended December 31, 2021		
10			
11		YTD	YTD
12	Description	Actual	Budget
13			
14	REVENUE		
17	Common element assessments	\$ 1,828,437	\$ 1,828,437
39	Less: Budgeted transfer to reserve fund	-600,218	-600,218
40		<u>1,228,219</u>	<u>1,228,219</u>
41			
42	OTHER INCOME		
43	Interest and Other Revenue	3,730	5,200
53	Service Revenue	-2	10,500
58		<u>3,727</u>	<u>15,700</u>
59			
60	TOTAL REVENUE	1,231,947	1,243,919
61			
62	EXPENSES		
63	Utilities	247,003	267,700
66	Contracts - On Site Personnel	393,484	403,029
67	Contracts	286,638	314,606
68	Amenities & Recreation Expenses	2,147	8,012
69	Building Safety Feature Expenses	14,953	16,872
70	C/A - Housekeeping & Maintenance	54,693	52,280
71	Electrical Expenses	7,271	18,400
72	Exterior R & M Expenses	9,915	19,800
75	Mechanical Expenses	19,790	31,700
76	Specific Expenditure Expenses	25,147	15,000
79	Other Operating Expenses	222	1,500
81	Insurance Expenses	57,531	60,413
82	General & Administrative Expenses	44,074	34,608
86			
87	TOTAL EXPENSES	1,162,869	1,243,919
88			
89	EXCESS OF REVENUE OVER EXPENSES	\$ 69,077	\$ -

When looking at a Statement of Operations, the first thing you should check is the common element assessments (commonly referred to as common expenses assessment) line item. In the condominium's declaration, Schedule D explains what every owner's percentage is. If all the percentages equal 100% and you assess everybody, the total number of assessments actually collected should equal the budgeted amount.

The excess of revenue over expenses line item is also important. You can see here that the budgeted number is zero. That means this board budgeted to collect exactly what they thought they needed in order to run the condominium building for the year. The difference in the two numbers is evident when you review the expenses section. A line-by-line analysis will tell you where the numbers differed relative to the budget.

This budget was realistic and the condominium board collected what they needed. Note that, while a deficit should be avoided, a huge surplus is also something that would need to be explained to owners. In theory, a condominium should budget to break even, though that doesn't always happen.

Fund Statement

	B	C	D
6			
7	ONTARIO CONDOMINIUM CORPORATION NO 123		
8	Statement of Operating Fund		
9	For the year ended December 31, 2021		
10			
11			
12	Description	Year To Date	
13			
14			
15	BALANCE, BEGINNING OF YEAR	\$	128,446
16			
17	EXCESS, OF REVENUE OVER EXPENSES		69,077
18			
19	BALANCE, END OF YEAR	\$	197,523
20			
21			
22	Statement of Capital Asset Fund		
23	For the period ended December 31, 2021		
24			
25	BALANCE, BEGINNING OF YEAR	\$	100,000
26			
27	BALANCE, END OF YEAR	\$	100,000
28			
29			
30	Statement of Reserve Fund		
31	For the year ended December 31, 2021		
32			
33	BALANCE, BEGINNING OF YEAR	\$	2,634,843.03
34			
35	BUDGETED TRANSFER FROM OPERATING FUND		600,218
36			
37	INTEREST EARNED		41,976
38			
39			
40			
41	CHARGES TO THE FUND		
42	Structure		57,108
43	Cladding		336,459
44	Fire Safety		8,225
45	Interior Finishes		41,393
46	Site (Outdoor)		60,204
47	Heating, Ventilation and Air Conditioning		22,334
48	Reserve Fund Study		2,900
49	Miscellaneous		10,456
50			

The Fund Statement summarizes what happened during the year and shows the change in the fund balance. Look at the operating fund balance at the beginning of the year. Add to that the excess of revenue of expenses amount, which you just learned about in the Statement of Operations review, and those two numbers equal the balance at the end of the year.

The reserve fund section shows the balance at the beginning of the year, the transfer from the operating fund and the interest earned. Subtract the expenses and you can see the reserve fund balance at the end of the year.

Note that this number is not important on its own; you must compare it to what the reserve fund study provider has projected will be needed in the reserve fund study. Check the transfer from the operating fund and compare it to the notice of future funding, which is developed from the reserve fund study; if the numbers are close, you know you're doing okay. Projects may be delayed or completed earlier than expected and, as a condominium director, you should be prepared to investigate any differences, whether positive or negative.

Learning Activity 19-2

Would a reserve fund balance of \$2.7 million be sufficient for most condominium buildings?

- a. Yes
- b. Not necessarily

19.5 Comparing a Surplus Budget to a Deficit

Let's now compare the statement from the previous screen, which showed a condominium corporation in stable financial position, with one that shows a condominium corporation that is in a financial position that is less stable.

Statement of Financial Position

	A	B	C			
6				114	LIABILITIES	
7	ONTARIO CONDOMINIUM CORPORATION NO 123			146		
8	Statement of Financial Position			147	OPERATING	
9	December 31, 2021			150	2000-0000 Accounts Payable - Operating	101,615.52
10				153	2100-0000 Accrued Liabilities - Operating	24,507.77
11				157	2200-0000 Accrued Audit	4,772.00
12	Account	Description	Year to Date	200		130,895.29
13				228		
14	ASSETS			229	RESERVE	
15				230	2300-0000 Accounts Payable - Reserve Fund	38,350.97
16	OPERATING			231	2400-0000 Contract Retention-Reserve	3,934.46
25	1000-0000	Bank - Operating Account	280,252.07	232		42,285.43
26	1001-0000	Petty Cash	150.00	233		
27		Accounts Receivables		234	TOTAL LIABILITIES	173,180.72
28	1100-0000	Unit Owners	15,224.64	235		
29	1200-0000	Prepaid Insurance	30,252.42	236	FUND BALANCES	
30	1100-0000	Prepaid Miscellaneous	2,539.05	273		
31			328,418.18	284	OPERATING FUND	(102,481.74)
32				285		
33	RESERVE			286	RESERVE FUND	2,837,958.90
36	1500-0000	Bank - Reserve Account	1,003,848.90	287		
38	1600-0000	Investments - Reserve A/C	1,513,230.00	289	CAPITAL ASSET FUND	100,000.00
47	1700-0000	Accrued Interest - Reserve Investments	63,165.30	290		
76			2,580,244.20	291	TOTAL FUND BALANCES	2,835,477.16
77				292		
83	CAPITAL ASSETS			293	TOTAL LIABILITIES & FUND BALANCES	3,008,657.88
87	1900-0000	Guest Suite	100,000.00			
106						
112	TOTAL ASSETS					
113			3,008,662.38			

Once again, start with the operating fund balance, which you can see is in a negative balance. That means that the operating fund assets are going to be in a negative amount; given that, the money in the reserve fund is being used illegally to pay the bills.

How do we find this? Note that, on this statement, the reserve fund assets total \$2,580,244.20 and the liabilities total \$42,285.43. Subtracting the liabilities from the assets gives you a reserve fund total of \$2,537,958.77. But look at the reserve fund total this condominium should have: \$2,837,958.90. This means \$300,000 which should be in the reserve fund is sitting in the operating fund as you can see in the assets line item. If you took the \$300,000 from the operating fund and put it where it belongs, this building would not have enough money to pay the bills. The condominium board has found itself in a situation where they only have three options:

- Delay paying their bills;
- Add a special assessment; or
- Borrow money from the reserve fund.

This last option is **illegal**, and it is your responsibility as a condominium director to know if this is happening.

Statement of Operations

	A	B	C
6			
7	ONTARIO CONDOMINIUM CORPORATION NO 123		
8	Summary Operating Statement		
9	For the year ended December 31, 2021		
10			
11		YTD	YTD
12	Description	Actual	Budget
13			
14	REVENUE		
17	Common element assessments	\$ 1,828,437	\$ 1,828,437
39	Less: Budgeted transfer to reserve fund	-600,218	-600,218
40		1,228,219	1,228,219
41			
42	OTHER INCOME		
43	Interest and Other Revenue	3,730	5,200
53	Service Revenue	-2	10,500
58		3,727	15,700
59			
60	TOTAL REVENUE	1,231,947	1,243,919
61			
62	EXPENSES		
63	Utilities	297,003	267,700
66	Contracts - On Site Personnel	423,484	403,029
67	Contracts	333,838	314,606
68	Amenities & Recreation Expenses	2,147	8,012
69	Building Safety Feature Expenses	40,958	16,872
70	C/A - Housekeeping & Maintenance	62,193	52,280
71	Electrical Expenses	12,471	18,400
72	Exterior R & M Expenses	17,715	19,800
75	Mechanical Expenses	19,790	31,700
76	Specific Expenditure Expenses	30,147	15,000
79	Other Operating Expenses	2,522	1,500
81	Insurance Expenses	66,531	60,413
82	General & Administrative Expenses	54,074	34,608
86			
87	TOTAL EXPENSES	1,362,874	1,243,919
88			
89	EXCESS OF REVENUE OVER EXPENSES	(130,927.74) \$	-

The first thing you should notice when looking at this Statement of Operations is that the excess of revenue over expenses line item is showing a negative balance. In this case, the condominium board originally budgeted \$1.36 million in expenses. To meet this budget, they would have needed to increase the common element assessments by \$130,000, which would be a 7% increase. Instead, they chose to artificially reduce the expenses, leading to a deficit.

Fund Statement

	B	C	D
6			
7	ONTARIO CONDOMINIUM CORPORATION NO 123		
8	Statement of Operating Fund		
9	For the year ended December 31, 2021		
10			
11			
12	Description	Year To Date	
13			
14			
15	BALANCE, BEGINNING OF YEAR	\$	28,446
16			
17	EXCESS, OF REVENUE OVER EXPENSES		-130,928
18			
19	BALANCE, END OF YEAR	-\$	102,482
20			
21			
22	Statement of Capital Asset Fund		
23	For the year ended December 31, 2021		
24			
25	BALANCE, BEGINNING OF YEAR	\$	100,000
26			
27	BALANCE, END OF YEAR	\$	100,000
28			
29			
30	Statement of Reserve Fund		
31	For the year ended December 31, 2021		
32			
33	BALANCE, BEGINNING OF YEAR	\$	2,734,843.16
34			
35	BUDGETED TRANSFER FROM OPERATING FUND		600,218
36			
37	INTEREST EARNED		41,976
38			
39			3,377,038
40			
41	CHARGES TO THE FUND		
42	Structure		57,108
43	Cladding		336,459
44	Fire Safety		8,225
45	Interior Finishes		41,393
46	Site (Outdoor)		60,204
47	Heating, Ventilation and Air Conditioning		22,334
48	Reserve Fund Study		2,900
49	Miscellaneous		10,456
50			
51			539,079

Compare this statement to the surplus example. The operating fund, which had a balance of \$28,446 at the beginning of the year, now shows a \$102,000 deficit.

There are now only two ways to recover a deficit.

You can:

- Issue a special assessment; or
- Adjust your budget by increasing your condominium fees.

Note that borrowing from a lender will help cash flow, but not eliminate the deficit. Remember, last year there should have been a 7% increase. That means this year a 14% increase in fees would be necessary just to catch up (and that's

assuming the coming expenses are the same as last year's – some may be higher). An increase of this size would be very large and may frustrate owners; a special assessment may be a better choice.

The reserve fund section shows the balance at the beginning of the year, the transfer from the operating fund and the interest earned. Subtract the expenses and you can see the reserve fund balance at the end of the year.

Note that this number is not important on its own; you must compare it to what the reserve fund study provider has projected will be needed in the reserve fund study. Finally, check the transfer from the operating fund and ensure it matches the notice of future funding, which is developed from the reserve fund study. If it does, you know you are compliant with the law. If it is less than that, you may have a problem.

Reflecting on Financial Statements

Condominium directors do not always pay close attention to monthly statements; small errors, if not corrected, can lead to issues for the annual/audited statements.

Consider asking questions such as:

- Do the common expenses fees for the month agree to the budget?
- Are there any large discrepancies in expense accounts from the prior month, the prior year or in comparison to the budget?
- Is there a negative balance in an expense account?

19.6 The Purpose of a Budget

The first section of this course focuses on financial statements, next we're going to talk about budgets.

A budget allows the condominium board to estimate annual revenues and expenses and determine common expense fees in order to ensure the appropriate amount of money is deposited to the reserve fund and the condominium has enough money to pay its bills.

Accurate budgeting ensures the condominium is financially responsible. Every owner of a condominium pays common expenses fees; the amount that must be paid comes directly from the budget. Determining the annual fee to owners is the most important financial decision the condominium board will make.

There are different types of budgets, including the first-year budget, the annual budget, the amended budget and the reserve fund budget, however, this course is going to focus on the annual budget.

Refer to the [CAO Guide on Condo Finances](#) for more information on budgets. The guide goes into more detail on planning and calculations, surpluses versus deficits, and elements within the budget.

19.7 Cameron Towers Scenario

Building Next Year's Budget at Cameron Towers

The condominium board at Cameron Towers meets to be building the budget for the coming year. They know that for the next year they have to take increased costs for gas and hydro into account, so they determine they will need \$800,000 to cover the coming expenses. They also have a notice of future funding that states they will need to put \$400,000 into the reserve fund. Adding those two numbers together, they realise they will need to budget for expenses of \$1.2 million or else they will go into deficit the next year.

Jamal notes that this would mean a 20% increase in condo fees to the owners in order to cover the difference. Robert and Melissa immediately disagree, stating that there is no way they can expect owners to agree to a 20% increase, and they were elected specifically because they promised they would not raise fees for owners. They insist that the condominium board must go back to the budget and slash expenses in order to create a budget with no overall increase in expenses. Other members agree, and suggest they should forego contributing to the reserve fund instead.

The condominium board cannot come to an agreement on the best way forward, and debates which expenses can be reduced or cut entirely. Finally, Barbara calls for everyone's attention. She points out that it really doesn't matter what the numbers were in previous years. As members of the condominium board, it is their responsibility to budget legitimately for what they expect the costs will be to run the condominium for the year, then add the reserve fund contribution to that. The numbers in the budget for the coming year are what they determined it would cost to run the building and artificially reducing them now will only lead the condominium into financial trouble. The condominium board agrees to move forward with the budgeted 20% increase, as planned.

The only options are a fee increase of 20% or a combination of increase and special assessment, but one way or another they need to get the extra \$200,000, and regardless of which option they choose, they will need to ensure the owners are informed of what is happening and why it is necessary. They also make plans to meet their budgetary requirements in future.

What is the purpose of a budget, and thinking about the scenario just described, what is the implication if the condominium board decides to cut money from the budget and run on a deficit?

A budget describes how the condominium corporation's funds are going to be generated and spent in the upcoming month/year.

If the condominium board budgets for a deficit, eventually, it will not be able to pay their operating expenses and will be forced to find other sources of funds to eliminate or reduce the deficit, such as a special assessment to the owners.

In the scenario just described, is there anything the condominium board at Cameron Towers could have done differently during the budgeting process?

In the scenario just described, is there anything the condominium board at Cameron Towers could have done differently during the budgeting process?

The condominium board did a lot of things right – they budgeted legitimate expenses, taking into account increased rates for gas and hydro, and they eventually came to the conclusion that they could not artificially cut expenses in order to avoid a 20% increase.

However, members of the condominium board should never make promises about financials that they may be unable to keep. There should also never be a suggestion of creating an inaccurate budget or not allocating money to the reserve fund, as mandated by law.

19.8 The Purpose of a Reserve Fund

A reserve fund is created to save for major repairs or replacements of the common elements and assets, as stipulated by Section 93(1) of the Condominium Act. It is similar to a homeowner's savings account, but it is not optional.

The reserve fund differs from the operating fund in that the amount that should be in the reserve is based, ideally, on the reserve fund study.

Refer to the [CAO Guide on Condo Finances](#) for more information on reserve funds.

Learning Activity 19-3

Condominium corporations are required to have a reserve fund?

- a. True
- b. False

Learning Activity 19-4

Which of the following expenses could be paid for out of the reserve fund?
Please choose ALL correct answers.

- a. Window replacement
- b. Elevator refurbishment
- c. A new pool (that is completely new to the building)
- d. Significant roof repairs

19.9 Greenwich Plains Scenario

Many of the condominium directors on the Greenwich Plains condominium board have been newly elected in the past couple of years and are not very familiar with the procedure for reserve fund studies. They know there is a reserve fund study in place, so aren't too concerned when it comes time to do a major window replacement for the whole building.

However, when they receive the quotes for the window replacement, they are all around \$2 million, whereas the project was budgeted in the reserve fund study at \$1 million.

Four of the condominium directors suggest different ways forward to the condominium board:

Sandy notes that, even at the higher projected cost, there is still enough money in the reserve fund to complete the window replacement project. She suggests the money is taken from the reserve fund and the project completed as planned.

Jamie notes that taking money from the reserve fund means borrowing money from other projects that will be necessary in the future. He insists this will cause problems for future condominium boards and suggests doing a special assessment to the owners to cover the cost difference.

Bob suggests they should look into borrowing the money they will need to complete the project. He suggests going to the owners and getting their permission to do this as required by the law.

Toni suggests another option – an early update to the reserve fund study. She suggests the condominium board should go back to the reserve fund study provider, note that they underestimated the project, and get an updated reserve fund study. She suggests that, once the condominium board knows exactly how much they will need, they can decide how they are going to fund it.

Think about the scenario described; which of the four options do you think would be the best course to follow?

The condominium board in the scenario was presented with four possible options, but Toni's suggestion to do an early update to the reserve fund study is the wisest choice, especially for a major project. Taking money from the reserve fund will just delay the financial pain to the next update, and until you find out from the engineers where you are going you don't know how to adjust your financial plan, whether it is a fee increase, a special assessment, or a combination of both.

19.10 Investing the Operating and Reserve Funds

Condominium directors may invest money from both the operating and reserve fund in order to earn additional revenue, keeping in mind that money from the operating fund may be needed at short notice to cover any unexpected operating expenses.

There are specific rules in the Condo Act with regards to the types of investments the condominium corporation may have. The condominium board may invest in "eligible securities," such as bonds, debentures, guaranteed investment certificates, etc. so long as they are:

- Issued or guaranteed by the Government of Canada or any Province or Territory of Canada;
- Issued by an institution located in Ontario insured by Canada Deposit Insurance Corporation or the Financial Services Regulatory Authority of Ontario; or
- A security of a prescribed class.

Investment Best Practices

When investing, you must:

- Ensure investments are either registered directly in the name of the condominium corporation or held in a segregated account under the name of the condominium corporation;
- Ensure operating fund investments are convertible to cash within 90 days following a request from directors, as required by law;
- Develop an investment plan before investing the reserve fund account; and
- Use caution when choosing a maturity date for investments – don't choose longer-term securities to maximize interest rates without first considering upcoming reserve fund expenditures.

Refer to the [CAO Guide on Condo Finances](#) for more information on investments.

Learning Activity 19-5

Which of the following are an allowed investment under the Condo Act?
Please choose ALL correct answers.

- a. Bonds guaranteed by the Government of Alberta
- b. Cryptocurrency
- c. Royal Bank stocks
- d. Term deposits
- e. GICs
- f. Bell Canada bonds

19.11 Frequently Asked Questions

Can this expense be charged to the reserve fund?

This is asked of various types of expenses, such as 5-year elevator tests, install cleanouts, and added security cameras. In every case you need to look at the complete situation and ask:

1. Is it an addition to a common element or asset
2. Is it a major repair or replacement?

Why is the surplus or deficit different on the audited financial statements compared to our internal financial statements?

Sometimes, condominium boards think they have a surplus, when in fact they have a deficit on the audited statements. This occurs when journal entries are made as part of the audit process to correct the financial statements.

Can we contribute less than the notice of future funding in the current year if we feel that the reserve fund has a higher balance than needed?

This is not allowable unless the reserve fund study is updated, and a new notice of future funding is issued to the owners.

Can we schedule the annual general meeting right after year end?

The auditors need time to conduct the audit and management needs time to prepare the year end accounting package for the auditors, so the annual meeting should be scheduled with this in mind in addition to other legal requirements which may also affect timing.

Can we lend money from the reserve fund to the operating fund if the operating fund is in a deficit?

No, not at any time.

We need to send out our AGM package, but the statements have not yet been signed. Is it ok if we include the draft statements in the package and then send the final statements later?

No, the draft financial statements are not for distribution to anyone and should only be reviewed by the condominium board of directors and management. The final approved audited statements must be attached to the Notice of Meeting for the AGM (i.e., the AGM package) in accordance with section 69(2) of the Condo Act.

When does the condominium corporation tax return and T1044 non-profit information return have to be filed and are there penalties for late filing?

Both are due six months after the end of the fiscal year. There can be penalties of \$25 per day up to \$2,500 if the T1044 return is not filed on time.

If we receive an energy or other incentive rebate for a reserve expenditure such as a lightning retrofit, can we allocate the rebate to the operating fund to offset operating expenses?

No, the rebate should be allocated back to the reserve fund to offset the cost of the project.

If our owners do not make use of the shared facilities, why does our condominium have to continue to contribute to the operating costs of these facilities?

In most situations, the obligation to contribute to the costs of the shared facilities is based on an executed legal agreement and the obligation is a percentage of the costs and is not based on usage by the owners.

Can the condominium corporation's monies be deposited to just one bank account for both operating and reserve monies?

No, the condominium corporation must have two separate bank accounts, one for operating and one for reserve, as required by section 115 (2) of the Condo Act.

Module 20: Communication and Conflict Resolution

20.1 Introduction

This module focuses on preventing and managing conflict through:

1. Community Foundations: Establishing clear expectations;
2. Impactful Communication: Fostering transparency and understanding;
3. Navigating Conflicts: Understanding root causes and addressing issues promptly and constructively.

Please note that this module is best taken together with the [CAO Guide on Communication and Conflict Resolution](#).

20.2 Learning Objectives

Upon completion of this module, you will be able to:

- Define conflict;
- Set up strong community foundations;
- Use proactive and CLEAR communication;
- Address escalating situations; and
- Apply a four-step conflict resolution road map.

20.3 How Do People Think About Conflict?

When you hear the term conflict, what is the first word that comes to mind?

Are there any phrases or emotions that surface when you think about conflict?

Stressful, tense, nervous, angry, fearful, pressured, and confused are all words people have used to describe how conflict makes them feel.

But what if we saw an opportunity to build understanding, solve issues, and prevent them from escalating to more challenging situations?

How we think about conflict shapes how we respond to it, communicate during discussions, treat the other person, and what we do in conflict situations.

Before we go any further, let's create a shared definition of conflict.

In the context of condo communities, conflict can be any situation where there is tension, disagreement, or opposition among individuals regarding their interests, beliefs, or actions.

20.4 Community Foundations and Meaningful Rules

Condos have many ways of communicating with transparency, clarity, and effectiveness. As we go through the following list, check off the actions onscreen that your condo uses to communicate with owners.

Building strong community foundations can prevent little everyday frustrations and complaints from turning into a more challenging conflict.

- Regularly review and update governing documents to establish clear expectations for community members
- Communicate these expectations early and often
- Utilize various communication methods, such as email, newsletters, websites, and other suitable platforms, in addition to required notices, to effectively reach and engage the community
- Foster a culture of education by empowering community members with tools and resources
- Promote cohesion through condo community events
- Regularly communicate among the board to ensure all directors are up to date on any ongoing matters.

20.5 CLEAR Communication

Every conflict involves one common component: communication. Communication involves:

- Listening
- Processing information
- Asking thoughtful questions
- Creating safe meeting environments
- Communicating in a CLEAR way

Here's what CLEAR communication looks like:

- **C**hoosing the appropriate format of communication for your community
- **L**eading with the most important information first
- **P**roviding examples
- **A**voiding complicated terms and jargon
- **R**eading your message out loud before pressing send

By following these steps, you may well avert a chain of reactions that are most difficult to deal with.

20.6 Strategies for Navigating Unpopular Decisions

The condominium board has ultimate accountability for controlling and managing the affairs of the condo corporation. This may mean having to share information about decisions that may be unpopular and enforce compliance with the Act, declaration, by-laws, and rules.

Below are communication strategies that can minimize misunderstandings and alleviate concerns when delivering unpopular information.

Communicate Early and Often

Use layered communication to give residents ample time to adjust and prepare for any upcoming changes to avoid surprises. This means sharing information in several formats and at various times to reach a larger audience.

Open and Transparent Communication

Transparency builds trust and helps residents understand the reasoning of the decision.

Provide Context and Rationale

A clear explanation helps owners see the bigger picture. Break down any complex financials into easily digestible points.

Community Engagement

Where possible, seek input from residents through surveys, meetings, or forums

before making a decision. This demonstrates a commitment to shared decision-making.

Remain Impartial

Avoid expressing personal opinions when delivering news. Focus on presenting the information objectively.

How should a condominium director navigate unpopular decisions or communicate information that may not be received favourably by owners?

Open, transparent, and frequent communication is very helpful in minimizing rumours and misinformation. A clear rationale helps owners see the big picture, and it's a good practice to keep residents informed on current affairs of the corporation. When communicating news, it's important to remain impartial and avoid expressing your own personal opinions on the decisions being conveyed.

20.7 Preparing for Addressing Conflict

At times, difficult conversations or unpopular decisions may lead to conflict.

When this happens, it may be helpful to utilize a conflict resolution process to reach a mutually satisfactory agreement.

A timely and informal discussion can help to deal with an issue quickly, build understanding and preserve strained relationships.

Review each step below to learn how you can prepare for an initial discussion.

Step 1

Check and shift your mindset. How you think about conflict can affect your willingness to work on a solution. Have you made assumptions about the situation or person? To shift your perspective, tell yourself: "This is an opportunity to clear the air and better understand each other."

Step 2

Reflect on how you may have contributed to the situation. Consider what may have contributed to the issue and if there were some earlier steps that were missed.

Step 3

Decide how you want to approach the conversation. For example, you may wish to focus on solutions instead of problems.

Step 4

Prepare questions that will help you to better understand their concerns.

Step 5

Practice in front of a mirror to hear how you sound, observe your body language, and build confidence.

Step 6

Ensure board decisions are made collectively by the board. An individual may lead discussions but, ultimately, decisions should represent the board as a collective.

20.8 Scenario

Introduction

For the next part of this module, you will follow a conflict about a noise complaint, something that often occurs in community living environments such as condos.

Onscreen are five characters, each with their own approach to conflict. You will be following the conflict and learning different approaches and strategies to navigate these situations with the help of the Mystic Manor board members: Rasheed, Janet, Ephriam, and Yonah.

Select each of the characters onscreen to learn more about their conflict resolution style. As you do, consider which style you identify with the most.

Sydney avoids conflict as much as possible, finding disagreement very uncomfortable and often being slow to respond when things are tense.

Rasheed uses a compromising conflict resolution style, seeking middle ground and quick solutions. He is a good listener and communicator, though he sometimes prioritizes speed over thoroughness in finding solutions.

Janet is competitive in conflict, often interrupting others. Her edgy communication can sometimes feel disrespectful, and she pushes hard for resolution, and needs reminders about the importance of backstory.

Ephriam uses a collaborative approach, disarming people, listening well, and working towards mutually satisfactory solutions.

Yonah tends to accommodate in conflicts, often yielding to others to avoid disagreement. While this can resolve issues quickly, it often leaves Yonah feeling frustrated and holding onto unresolved feelings long after the conflict has ended.

Issue

Chantal owns a unit in the Mystic Manor condo building and has rarely had an issue with her unit or the other owners.

Over the past two weeks, Chantal has been woken up at all hours of the night by banging noises and loud voices from the unit above her.

The first few times it happened, she tried to ignore it, but after the sixth straight night of being jolted awake, Chantal began recording the noises and making notes on her phone about the time it was occurring and how long it was happening for.

Armed with this evidence, Chantal emailed her condo board to complain about the noise issue, sending along her notes and recordings.

Response

Sydney – avoiding style of conflict resolution

As a conflict avoider, Sydney cringes at Chantal's email and decides to respond later. A few days pass, and a more frustrated email arrives from Chantal. Sydney delays again, hoping Chantal will cool off, but Chantal's emails escalate, including late-night messages with noise recordings.

Feeling uncomfortable, Sydney finally sends a brief email expressing sympathy and promising to investigate the issue, with a meeting to be set up soon. When Sydney doesn't follow up the next week, Chantal sends a follow-up email. Another week passes before Sydney schedules a meeting for the next month.

Chantal feels ignored and frustrated, emotions that intensify when Sydney postpones the meeting. When they finally meet, Chantal gets upset, and Sydney shuts down, ending the meeting early. Chantal's subsequent emails go unanswered, and she contemplates filing an application with the Condo Authority Tribunal (CAT).

Rasheed – compromising style of conflict resolution

When Rasheed reads Chantal's email, he knows he needs to find a fast solution.

In his response, Rasheed practices CLEAR communication and suggests an in-person or virtual meeting. Before he sends the email, Rasheed reads it aloud to ensure there are no mistakes and that it is easy to understand.

Chantal agrees to a virtual meeting, which Rasheed promptly sets. During the meeting, Rasheed focuses heavily on finding a middle ground. He listens thoughtfully, asks a few questions, and then begins problem-solving, emphasizing the importance of a balanced solution that works for both Chantal and her upstairs neighbor, while also complying with the Condo Act and the governing documents. He promises to seek a fair compromise but notes that he needs to discuss it with the board first.

While Chantal isn't completely satisfied, she feels taken seriously and hopeful for a balanced solution.

Janet – competing style of conflict resolution

When Janet reads Chantal's email with the attached recordings and notes, she rolls her eyes, thinking the issue is exaggerated. Janet replies that she'll look into it but adds, "You should expect this in community living" and suggests Chantal invest in earplugs. Offended, Chantal sends several angry emails accusing Janet of being inconsiderate and rude.

Janet calls Chantal but dominates the conversation, dismissing her concerns by saying, "Everyone feels that way. Some condo residents are impossible to deal with. It's better to work around it than expect a real solution." Chantal feels even more disrespected and frustrated after the call, unsure of what to do next.

Ephriam – collaborating style of conflict resolution

When Ephriam reads Chantal's email, he knows he needs more information before making any decisions. He responds using plain, respectful language and confirms Chantal's preferred communication method. He asks additional questions to become better informed.

Ephriam investigates both sides of the complaint and speaks to Chantal's neighbour. Once he has all the necessary information, he meets with the board to discuss potential solutions. They brainstorm a few ideas and conclude they will set a virtual meeting with all parties.

During the meeting, Ephriam asks questions to deepen the discussion and ensures both parties can provide input. Together, they brainstorm mutually satisfying solutions. After reaching an agreement, Ephriam reviews the details to ensure understanding.

Chantal is happy with how her issue was handled and the solution reached.

Yonah – accommodating style of conflict resolution

As Yonah reads Chantal's email, he immediately feels like he needs to help her and reaches out to Chantal, asking if she'd like to have an informal discussion.

Chantal agrees and, during their meeting, bombards Yonah with complaints about the noise and how "inconsiderate" her neighbours are. Yonah wants to point out that the issue should be seen from all sides, but Chantal doesn't appear to be open to other perspectives.

As the conversation drags on and Chantal pushes for legal escalation, Yonah just wants to be done with the problem. He reluctantly agrees with Chantal and tells her he will take the issue to the condo board for legal escalation.

Chantal is pleased with this outcome, but it doesn't sit right with Yonah.

A week after their discussion, Yonah feels guilty as he knows it wasn't the appropriate response.

If you were a member of the Mystic Manors condo board, how would you have responded to Chantal's issue?

Let's review each board members response:

- **Sydney:** Avoided conflict, leading to escalation. Never resolved due to discomfort and lack of response
- **Rasheed:** Used good communication skills but rushed to compromise, disappointing Chantal.
- **Janet:** Escalated conflict by making assumptions and using inflammatory language. Failed to understand Chantal's perspective.
- **Yonah:** Gave in too quickly, ignoring other perspectives. Escalated to legal action prematurely without exploring alternatives.
- **Ephriam** had the best approach. He focused on solutions, made all parties feel heard and respected and he achieved mutually satisfying resolution.

Remember: While an individual may lead discussions, decisions should ultimately reflect the board as a collective. Always review your governing documents when dealing with conflicts to ensure you are following any prescribed escalation steps.

20.9 Conflict Resolution Roadmap

Now that we've walked through a common scenario, lets dive into the four-step conflict resolution roadmap, which can be used when a more formal discussion is needed to deal with an issue.

Step 1: Prepare

Set and confirm the time and place of a meeting for the discussion. Determine how best to phrase your perspective and prepare any questions you may want to ask. Review resources that may aid your discussion, like the back pocket scripts found in the [CAO Guide on Communication and Conflict Resolution](#). Consider the best way to gather facts, not just opinions.

Step 2: Explore the Issues

Review and agree on meeting agenda with everyone's input. During discussion, share perspectives and listen actively. Focus on common ground and understanding interests. Ask open-ended questions. Avoid premature problem-solving. Speak respectfully, focus on facts, and keep an open mind.

Step 3: Brainstorming Options

Brainstorm solutions that address shared interests. Aim for a mutually satisfactory agreement for everyone.

Try out this helpful phrase: "This discussion is important, and I look forward to solving this issue together. I suggest we talk more about the issue and the impact, then go back to the ideas you raised."

Step 4: Agreement and Follow-up

Confirm mutual understanding of the agreement, allowing final input from all parties. Schedule a follow-up to review implementation. Consider using this phrase: "I appreciate our collaborative effort in resolving this issue, let's each recap our understanding of the agreement."

20.10 Harassment

Most conflict in condo communities can be avoided with strong foundations and clear communications or dealt with using the conflict resolution roadmap.

Occasionally, condos may need to address harassment issues. All condos should aim to establish clear, consistent, and transparent processes for how to prevent, prepare for, and respond to harassment in their community.

Help address instances of harassment in your condo community by:

- Ensuring your condo has an up-to-date anti-harassment rule in place and all owners are well informed. Refer to the [CAO's Anti-Harassment Rule Sample for Condo Corporations](#).
- Asking: Has the individual caused or is likely to cause injury, illness, or property damage?

- Considering the individual's emotional and psychological state when selecting a communication method;
- Determining what legislation applies including Ontario Human Rights Code, Occupational Health & Safety Act, Criminal Code of Canada; and the Condo Act
- Seeking advice from legal counsel to determine best steps to de-escalate and resolve the conflict safely.

Emergency services may need to be contacted if:

- You believe that you or another person are being threatened
- You are concerned for your safety or the safety of others
- There is a risk of damage to your property or the condo corporate's property

20.11 Frequently Asked Questions

How do condo rules prevent conflict from escalating?

Condo rules foster community and set expectations, promoting safety, security, and enjoyment for all residents.

As a best practice, boards should establish clear communication protocols detailing:

- Points of contact for specific issues
- Communication paths
- Expected response times

This approach streamlines requests, ensures clarity, and helps prevent conflict escalation through early, consistent communication.

I tend to be a “conflict avoider” and at the first feeling of disagreement, tension or conflict, I want to leave the meeting or conversation. As a director, how can I show up more confidently and be more comfortable in these situations?

Many of us are uncomfortable with conflict, however, avoiding the situation will likely cause it to escalate. Being prepared, practicing what you want to say in advance, and looking for ways to set the conversation up for success are great starting points. The CLEAR communication model can help ensure that communication is delivered in a way that promotes conflict de-escalation.

How do you handle it when a person is unresponsive or ignoring communication attempts from the board?

Individuals may not always be responsive to a condo board's communication attempts.

Before legal escalation ensure you have:

- Tried alternative formats (example: phone instead of email);
- Allowed reasonable response time; and
- Documented all communication attempts.

After a challenging conversation, conflict, or delivering bad news, how do you restore trust and rebuild the relationship?

Rebuilding trust and restoring the relationship is a very positive strategy that could, in fact, minimize future challenges with the same (or other) individuals. Word travels quick in condo communities, and how you handle situations can impact future situations. To foster the rebuilding of trust and relationships:

- Don't avoid the individual, instead be respectful and collegial;
- Set up a check in time a couple of weeks after your meeting/conversation; and
- Keep the lines of communication open.

Module 21: The Condominium Authority Tribunal

21.1 Summary

This module provides information about the Condominium Authority Tribunal (CAT), commonly referred to as the CAT, which is one of the key services provided by the Condominium Authority of Ontario (CAO).

21.2 Learning objectives

After completing this module you should know:

- How condo communities can resolve their disputes collaboratively;
- The CAT's jurisdiction and process;
- Who can file a case with the CAT and whom it can be filed against;
- The types of orders the CAT can make;
- How to prepare for and participate in a CAT case; and
- Options for disputes that fall outside of the CAT's jurisdiction.

21.3 Try to Resolve Disputes Before They Escalate

The CAO's goal is to help condominium communities resolve condo-related issues conveniently, quickly, and affordably, before they become disputes.

Ontario's condo communities are made up of people with different perspectives, opinions and priorities, and these differences can sometimes lead to misunderstandings, disagreements, and conflict.

The CAO encourages everyone in condo communities to work together to see how they can resolve their disagreements collaboratively.

That's why the CAO developed our guided steps to common issues. This module provides information about many of the most common issues condo communities face, along with specific steps you can take to try to resolve them, and templates you can use.

The CAO has also developed our Guide to Communication and Conflict Resolution, which includes guidance on how to communicate proactively, prevent misunderstandings from escalating, and resolve conflicts when they do arise.

By working together to resolve disputes, condo communities can save everyone time, stress and the costs that may be involved with escalating.

For more information, visit the CAO's Guide to Communication and Conflict Resolution and the CAO's Guide for Self-Represented Parties on the website.

21.4 The Role of the CAT

When condo communities are unable to resolve their disputes using the CAO's various tools and guides, the Condominium Authority Tribunal may be able to help.

The CAT is an adjudicative tribunal that has the exclusive jurisdiction to hear and to make legally binding and enforceable decisions about certain types of condominium disputes specified by the government in a regulation under the Condo Act.

The CAO has developed an online dispute resolution system that the CAT uses to resolve disputes. Parties can participate in the dispute resolution process online from wherever they are, at any time of the day or night.

This system has been designed to support people who are representing themselves and who do not have any legal experience or training.

The dispute resolution process will take place in phases and you can resolve your issue during negotiation or mediation. Just make sure not to miss key deadlines!

It is important to remember that a CAT case is a legal proceeding. Parties should think carefully before they start a case, and parties involved in a case should take it seriously and make sure that they actively participate in the dispute resolution process.

For more information, visit:

- The About the Tribunal page on the CAO's website
- The CAO's Guide for Self-Represented Parties

21.5 The CAT's Jurisdiction

The CAT can help resolve many of the most common issues that condo communities face.

The CAT cannot help resolve every dispute, though. This is because the CAT can only deal with disputes that fall within its jurisdiction.

The CAT's jurisdiction is prescribed by law and set by the provincial government in regulation 179/17 of the Condo Act. Neither the CAO nor CAT can change the Tribunal's jurisdiction.

The CAT has exclusive jurisdiction over the matters that it can deal with. That means that if a dispute falls within the CAT's jurisdiction, it cannot be pursued through private mediation/arbitration or the court.

Generally, the CAT can only deal with issues that occurred within the last two years. The CAT can extend this deadline to three years if the delay was incurred in good faith and no unfairness will result from the delay. There may be additional timelines specific for each dispute type

For more information about the CAT's jurisdiction, visit the Our Jurisdiction page on the CAO's website.

Knowledge Check 21-1

What types of disputes can be filed with the CAT?

- a. Any type of dispute;
- b. Disputes between two condominium corporations;
- c. Disputes involving property ownership; or
- d. Disputes prescribed in Ontario Regulation 179/17, a regulation under the Condominium Act, 1998.

21.6 Who Can File a Case With the CAT?

Unit owners and condo corporations can file cases with the CAT.

A person or corporation that files a case is called an applicant. The person or corporation they file against is called a respondent.

A unit owner can start a case by filing an application against any combination of:

- One or more other unit owners;
- One or more occupants of a unit; and/or
- Their condominium corporation.

A condominium corporation can start a case by filing an application against any combination of:

- One or more unit owners; and/or
- One or more occupants of a unit.

Depending on the nature of the issues and who is causing them, intervenors may also be entitled to participate. An intervenor is a person or legal entity that has a right to participate in a CAT case, as set out under the CAT's Rules of Practice. Intervenors are entitled to participate in CAT cases because they may be affected by the outcome.

For more information, review:

- The Guide to Respondents and Intervenors on our website; and
- The CAT's Rules of Practice.

21.7 Who Can Be a Representative?

A representative is a person who acts on behalf of a party in a case.

While the CAT's online system has been designed to support people who are representing themselves and do not have any legal experience or training, all parties involved in cases are legally entitled to have a representative.

For more information, visit the CAO website and review:

- The CAO's Representatives – A User Guide;
- The CAO's Guide for Self-Represented Parties; and
- Part V of Law Society of Ontario By-Law #4 regarding legal representatives available on the LSO's website.

Condominium unit owners and **occupants** can represent themselves, or they can be represented by:

- A lawyer or paralegal licensed by the Law Society of Ontario; or
- A person who is allowed to provide legal services under Part V of the Law Society's By-Law #4 which governs who can act as a legal representative. This includes a neighbour or family member who provides the services without receiving any fee.

Condominium corporations must have someone represent them. This can be:

- A lawyer or paralegal licensed by the Law Society of Ontario;
- A director of the condominium corporation; or
- A condominium manager licensed by the Condominium Management Regulatory Authority of Ontario.

Note: Managers and directors can represent a condominium corporation as they fall under the in-house legal services provider exemption under the Law Society's By-law #4.

Knowledge Check 21-2

For each of the 3 statements below, select True or False

1. A condo corporation can file a case with the CAT about a dispute with a condominium manager or management service provider.
2. A licensed condominium manager can act as a corporation's representative in a CAT case
3. Owners can represent themselves in CAT cases, or they can choose to have a representative.

21.8 Online Dispute Resolution

The CAT is Ontario's first fully online tribunal. This means that the tribunal conducts its cases using an online system that guides Users through a three-stage dispute resolution process:

- Stage 1 – Negotiation;
- Stage 2 – Mediation; and
- Stage 3 – Tribunal Decision.

Select each tab to learn more, and for more information, visit:

- The Tribunal Process page on the CAO's website; and
- Participating in a Hearing – A User Guide available on the CAO's website.

Stage 1 – Negotiation

The parties can use the online system to try to resolve the issues collaboratively. The parties can exchange messages and documents and discuss the issues. Parties can also make offers to resolve the dispute and respond to offers made by other parties. The fee for this stage is \$25.

Stage 2 – Mediation

A CAT Mediator will be assigned to the case and will work with the parties to try to resolve the issues. Parties can discuss their positions on the issues and how they think they should be resolved with the Mediator. The fee for this stage is \$50.

Stage 3 – Tribunal Decision

A CAT Adjudicator will be assigned to the case and will conduct the hearing. A hearing is an opportunity for each party to present its position, evidence and legal arguments. After the hearing, the Adjudicator will make a final decision through a binding order that all parties must follow. The fee for this stage is \$125.

21.9 CAT's Authority

The CAT has the legal authority to issue binding orders and can order a party to:

- Do something or stop doing something;
- Pay another party damages resulting from non-compliance up to \$25,000;
- Pay another party's costs; and/or
- Do anything that the CAT thinks is fair under the circumstances;

In records cases, the CAT can order a condominium corporation to pay a penalty of up to \$5000 for refusing to provide records without a reasonable excuse.

The Tribunal has developed a Practice Direction for ordering costs to provide more information about its approach to ordering costs.

The CAT's decisions and orders are published on the CAO's website and on CanLII. We encourage parties to review those decisions, as they can provide valuable insight into the hearing process and possible outcomes. No two cases are the same, though, and outcomes may differ depending on the facts, evidence and arguments.

If a party believes that the CAT made an error while making an order, they can file an appeal or an application for judicial review with the Divisional Court, which is a part of the Ontario Superior Court of Justice.

Knowledge Check 21-3

What is the maximum amount of money the CAT can order a condominium to pay, for unreasonably denying access to records?

1. \$1,000
2. \$5,000
3. \$10,000
4. \$25,000

21.10 Preparing Your Case

You should think carefully and build your case before starting a Tribunal case or responding to a Tribunal notice. You will be better prepared and more comfortable working through the dispute resolution process if you have a good sense of the outcome you want, how the law applies and how you can prove it. To learn more, select the arrow on the right side of your screen.

1. What do I want?

Having a clear sense of the outcome you're looking for will be incredibly helpful throughout all stages of the dispute resolution process. It will help you stay focussed on what is important and will help you think strategically about what you really want to achieve.

2. What is the law?

You should do research to make sure you understand what the law says.

You can do your research by:

- Reviewing your condominium corporation's governing documents and the Condo Act;
- Reviewing the information and guides on the CAO's website; and
- Reviewing previous Tribunal decisions and orders.

Doing research will help you understand where the law supports your arguments, and where it might not. It will also help you feel confident that you are on solid footing in asking for what you want.

Parties involved in Tribunal cases should be prepared to make arguments by citing specific sections of the Condo Act or its regulations that are relevant to the issues in dispute. Parties can also point to previous similar Tribunal decisions or orders.

3. What do I need to prove?

It is important to identify what you will need to prove to get what you want. You should think about how the law applies to your situation. Having a clear sense of what you will need to prove to be successful will help you identify the important questions and will help you develop compelling legal arguments.

4. How am I going to prove it?

You will need to provide evidence to help the Tribunal understand your case and what happened. If the parties disagree about what happened, the Adjudicator will decide to make a decision based on the facts and evidence presented.

You can also consider whether witnesses will be able to help you prove your case. Witnesses are people who can provide evidence about an issue or fact in dispute. For example, in a nuisance case, a witness may have been present at a relevant event and may be able to provide information about what they saw or heard. A witness may also know about how an important document was developed, how it has been applied in the past, or how it relates to the events or issues in dispute.

Here are some examples of common types of evidence:

- Letters, emails or text messages;
- Photos, videos or audio recordings;
- Witness statements;
- Invoices, receipts, quotes or other financial records;
- Copies of contracts or other agreements;
- Minutes from condo owner or board meetings; and/or
- Incident logs or reports of dates and times.

Whether you are an applicant, respondent or intervenor, all parties involved in a Tribunal case need to think about and build their case. This includes understanding

what the law says, making legal arguments and identifying relevant evidence and witnesses.

21.11 Participating in a CAT Case

Now that you've prepared, here are some tips for effective participation in the case. You should:

- Check your email regularly for notifications and updates about the case;
- Keep an open mind, and consider opportunities to resolve the dispute;
- Actively participate in the case and respond to messages promptly;
- Focus on the issues and avoid personal comments or attacks;
- Make sure that you meet any deadlines set by the Mediator in Stage 2 or the Adjudicator in Stage 3; and
- Ask questions to confirm your understanding.

You can ask the Mediator or Adjudicator, or the CAO's tribunal staff, if you have any questions about the process or about how to use the system.

The CAO's helpful Information Services Team is also available to direct your call and/or answer any questions about filing a case, about a notice you have received, or about anything covered in this module.

21.2 Pursuing Options Outside the CAT's Jurisdiction

Your options for disputes that fall outside the CAT's jurisdiction will differ based on the nature of the dispute.

If your dispute is about provisions in your condo corporation's governing documents that fall outside of the CAT's jurisdiction, you must try to resolve your issue through mediation or arbitration. This is because subsection 132 (4) of the Act deems all condo corporations to have a provision in their declaration requiring that disputes about the governing documents must proceed first to mediation then arbitration.

Mediation is a process where a neutral facilitator tries to bring the parties to a mutually agreeable solution. Mediation is often cheaper and faster than the alternatives, and it gives parties an opportunity to collaborate on finding a solution that everyone is comfortable with.

Arbitration is a process where a neutral arbitrator makes a ruling on the issues. The parties involved in the dispute can present their evidence and arguments to the arbitrator. The arbitrator makes a binding decision, often with limited appeal rights.

An arbitrator may rule in favour of one party over another and may order one party to bear all of the costs. It can also be more time consuming and expensive than

mediation. This is why we encourage condo communities to work together wherever possible to find a solution that meets everyone's needs.

Owners and condominium corporations can ask the court to make an order requiring compliance with any provision of the Condo Act or the governing documents. Review section 134 of the Condo Act for more information about compliance orders.

You should review the Superior Court of Justice website if you are thinking about filing a case with the court.

For more information, visit:

- The ADR Institute of Ontario's website, which includes a directory of mediators and arbitrators;
- The Legal Resources page on the CAO's website; and
- The Superior Court of Justice's website.

Module 22: Issues Management

22.1 Introduction

This online course will provide condominium directors with assistance in identifying, prioritizing, resolving, and monitoring issues that commonly and uncommonly arise in condominium, which need to be managed effectively to avoid exposing the condominium corporation to risks.

Please note that this online course is best taken together with the [CAO Guide on Issues Management](#).

22.2 Learning Objectives

Upon completion of this course, you will be able to:

- Describe how the issues management process can be applied within your condominium corporation
- Describe where issues can come from
- Describe what the evaluation process looks like for an issue in your own building
- Describe common approaches to resolving an issue; and
- Describe when and how to track and monitor issues.

22.3 The Issues Management Process

To assist in working through issues in your own condominium community, it is recommended that you follow the Issues Management Process Framework, depicted onscreen:

1. Identify the issues
2. Evaluate the issues
3. Respond and resolve the issues

The [CAO Guide on Issues Management](#) provides detailed information on the steps in this framework. Although the issues management process is described in this course, you may want to consult the guide to further explore each of these topics.

In this course, we're going to take this information and work through a scenario that we hope will provide you with key ideas to take back to your condominium board.

22.4 Sunny Towers Scenario

Issues Management at Sunny Towers Condominium Complex

The Condominium Board of Directors at Sunny Towers condominium complex have set up a system where owners can anonymously submit written complaints. To date, there hasn't been much discussion around the complaints that have been received. The board listens but hasn't done a lot to actually address them. This is partially because, after some issues with their last condominium manager, they are in the process of hiring a new one. For the moment, they have to handle all condominium business themselves.

When Margaret, one of the directors, compares the minutes of the meetings to the complaint letters, she realizes that there is a lot of overlap, and a few complaints that were never discussed by the condominium board – they seem to have been missed. The board is worried that owners seem to be getting progressively more upset about issues that started as minor inconveniences.

Though Margaret knows that there are always going to be issues, she also knows that issues, if ignored, can become costly, because they can lead to more serious and complicated situations that are harder to resolve, expensive repairs, or even to litigation. She knows the condominium board needs to act sooner than later, and not wait for the new manager.

Margaret speaks with the board president, and they agree that the board should address issues management in a much more systematic way to reduce the potential risks. As a first step, the condominium board assigns each issue to various condominium directors, including Jasmine, Gord and Joaquin.

The first thing the condominium board does is compile every issue that has been brought forward, and adds to that any additional issues they are aware of. For example, there are some issues that have not been documented very well but were previously identified in the reserve fund study, or through discussion with the corporation's on-site superintendent, and sometimes from owners. Margaret does some research and obtains a sample issue log. She begins to fill it out to document and track everything so that, in the future, nothing falls through the cracks, and each issue is brought into the process and resolved.

The current issues list includes:

- Noise complaints
- Smoking complaints (for example, cigarette smoke travelling from one unit into another)
- Pet complaints (for example, a neighbour's dog constantly barks when left home alone)
- Parking infractions
- Building/mechanical issues
- Short term rentals

Next, the condominium board must work to understand the core issue at the heart of each complaint, without delaying a timely response. In the absence of a manager, who would normally investigate these issues, they assign an alternate "Issue Owner" to further evaluate each of these issues and report back on any additional information they gather. Then the condominium board can prioritize and decide which issues need to be addressed immediately. Jasmine is assigned the smoking, pet, and parking issues. Gord is assigned the building/mechanical issues and noise complaints, and Joaquin is assigned the short-term rental issue.

To adequately evaluate these issues, each Issue Owner will determine the underlying cause by asking a number of questions that help them understand:

- What is the issue?
- Who does the issue involve?
- Where did the issue take place?
- When did the issue occur?
- Why did the issue happen?

Condominium directors should resist the temptation to jump to conclusions about the cause or best/quickest resolution, and remember that asking questions does not equate to assigning blame. It is important to understand the root cause of the issue and make sure that the appropriate problem is being solved.

Jasmine found that the smoking, pet and parking issues could, for the most part, be resolved by directing the involved parties to a better understanding of the condominium's by-laws and rules. She speaks with each owner involved, and politely brings the infraction to their attention. Then she discusses what she learned with the condominium board.

Given the need to be clear and apply the rules consistently, the condominium board decides to respond to the complainants in writing, laying out the by-laws and condominium rules clearly. The letter provides specific details of their infraction, and advises the owners what specifically is required for them to be compliant. The complainants were satisfied with this response and will assist the condominium board in monitoring the situations to make sure that the issues have been fully resolved.

Joaquin brings the short-term rental issue before the condominium board. He has reviewed the declaration, by-laws and rules (i.e., the governing documents) and realizes the corporation's governing documents do not say anything about short-term rentals.

The condominium board discusses and agrees to do some consultation with owners and contact the corporation's lawyer to discuss options. Based on these discussions, the condominium board decides on a potential resolution – a by-law change, which would prohibit owners from renting their units as short-term accommodation. The condominium board believes there may be enough support in the community to bring the by-law change to a vote by the owners. At this time, the background information and proposed draft resolution are being prepared for distribution to owners. A vote will be held at the next AGM.

Gord found that both his assigned issues were more complicated than at first thought. The noise complaint seems to be related to a new restaurant opening on the ground floor of the building that affects several units. The condominium board decides to bring in an acoustical consultant to perform a noise study, however, the consultant's report will not be available for a few weeks. In the meantime, the affected owners have threatened to move out of their units and/or sue the condominium board for not acting soon enough.

The building issue on the list was even more complicated. Upon closer inspection, Gord discovered that the issue was a recurring puddle of water in one of the common elements. There is no known reason for the puddle, and Gord is worried that both the potential impact and severity of this issue could escalate. Gord's proposal to the condominium board is to bring in an external expert to determine the root cause of the puddling water.

The expert finds that the puddle is caused by a water leak from two floors up that has been running through the interior walls of a rarely used stairwell. The leak seems to have been occurring for long enough that there is quite a bit of internal damage and the foundation of the building may soon be at risk.

The condominium board is aware that for any issues that arise, there are generally four ways to respond:

- Fix it (fully resolve it through direct action)
- Reduce or mitigate it (reasonably lessen or improve the issue as much as possible)
- Avoid it (change the plan completely, or develop an alternative strategy)
- Accept it (tolerate or live with the issue as is)

Depending on the nature of the specific issue, some options may not be available. The engineering firm provided a written report with recommendations to address the situation. It also provided an estimated scope of work and high-level estimate for the cost of repairs.

The expert's professional opinion is that the only acceptable way forward in a case of this severity is to **fix the issue**. The condominium board agreed to follow the expert's advice and perform an immediate repair both to the leak and the damaged foundation, which will strain the reserve fund but is necessary in order to fully resolve the issue.

Everything was documented appropriately and communicated to owners. The condominium board feels it does not have much time to spend on a complex procurement process, so it obtains three quotes for the scope of work, invites potential contractors to do a site visit, and selects one to perform the work. The Issue Owner provides an update to Margaret with the latest on these developments and continues to monitor the situation.

For this issue and other issues, Margaret has agreed to oversee and monitor the issue log outside of condominium board meetings and gather updates until the new manager is in place. When there is a new condominium manager, the condominium board will turn over the day to day maintenance of the issue log to them.

What did the condominium directors at Sunny Towers do well?

The condominium board could have initially been more proactive about addressing the issues more quickly and in a more organized manner, but once they decided to act, they did a good job. They:

- Recognized the importance of issues management and started to get organized;
- Dedicated appropriate time and focus on understanding the issues;

- Did not wait to act on known issues;
- Implemented an issue management process that can be followed in the future;
- Worked through the process – identifying, evaluating, prioritizing, responding, and resolving issues;
- Didn't jump to conclusions;
- Consulted external experts when necessary; and
- Followed expert advice when received.

In this scenario, the way owners are engaged and kept in the loop will depend. Issues that involve an owner or unit may not be appropriate for disclosure to the full community. Other issues may need to be broadly communicated.

Reflecting on Potential Issues in Your Condominium

Are there any issues that you are aware of in your building? Maybe think about the last time you looked at the meeting minutes or talked to your condominium manager? Was there a disruption at the last Annual General Meeting (AGM)?

22.5 Identifying Issues

Issues can arise from a number of internal and external factors such as:

- The condominium's current financial position and its financial outlook;
- Personal choices made by owners, such as smoking, having a BBQ on a balcony, noise issues, pet issues, etc.;
- The governance approach and decisions made by the condominium board, including inability to recruit new directors, lack of transparency, inconsistent application of the condominium rules, etc.;
- Building and mechanical issues, such as poorly maintained building equipment, leaks, too hot/too cold in common areas, broken gym equipment;
- Management and service provider issues arising from poor quality or performance by the condominium's contracted suppliers including

condominium management, snow removal, cleaners, security staff; or

- External environment issues, which could include an increase in crime in the area or changes in municipal by-laws.

There are many other signals that may help the condominium board to anticipate or predict issues before they arise, from owner-related issues to long-standing topics at AGM meetings that never get resolved, to employee-related issues and complaints.

The important thing, as a condominium director, when issues become apparent is to move quickly, be actively engaged, and avoid situations where issues can escalate. When dealing with owners in particular, issues tend to escalate when individuals within the community do not feel heard or are ignored.

Refer to the [CAO Guide on Issues Management](#) for more information on identifying and anticipating the types of issues that may arise in a condominium.

What are some things you can do as a condominium director to avoid a situation where members of the community do not feel heard?

Issues can come from a number of places. To avoid escalation, it is important for the condominium board to respond to inquiries or complaints quickly, listen to complaints carefully, and to show in its actions that complaints are being heard, understood, and actively resolved. Do not ignore signs of growing anger and frustration, and ensure owners know that you are taking their concerns seriously.

At a minimum it is important to acknowledge the complaint as quickly as possible (for example, through a quick email) as this can stop feelings of frustration from growing stronger.

22.6 Issue Evaluation

Once an issue has been identified (and is being tracked), the next step is to evaluate the issue carefully. There are different ways to evaluate issues – some issues are appropriate for a simple evaluation approach, whereas more complex issues need more formal evaluation.

A simple way to evaluate issues that arise is to use the 5 Ws approach – who, what, where, when and why.

For each issue, the condominium board should ask a range of detailed questions that will help it to better understand:

- What is the underlying issue?;
- Who does the issue involve?;
- Where did the issue take place?;
- When did the issue occur?; and
- Why did the issue happen?

For other issues, such as issues that are not clearly understood, or have significant financial consequences, the condominium board may wish to obtain external advice, or to use a formal evaluation methodology to evaluate the issue. The formal method is not covered in this course but is fully explained in the [CAO Guide on Issues Management](#).

Remember Jasmine, Joaquin and Gord from our scenario?

Let's take a moment to review how these Issue Owners evaluated and responded to the issues they were tasked with.

Jasmine

Jasmine found that the smoking, pet and parking issues were clearly addressed in the condominium's rules. The reason for the issue was because the owners had violated the rules.

The appropriate response was to engage the owners and direct them to a better understanding of the condominium corporation's rules. She spoke informally to the owners as a courtesy, the condominium board wrote a letter clearly laying out the condominium rules, specifics about the violations, and asked for the owner's cooperation. The complainants were satisfied with this response, and the issue appears to be resolved.

If there is unwillingness by one party to participate in a solution, or if the parties are not satisfied with the outcome, they may file an application with the CAO's Condominium Authority Tribunal (CAT). The CAT has jurisdiction over some condominium issues.

Do you think Jasmine's response was sufficient?

Jasmine assessment of the issue indicated that the best approach was to "Fix" or try to fully resolve the issue.

That choice appears to have worked. She approached the other owners politely and the board followed up in writing. This response was proportionate to the severity of the violation.

Most owners, when they understand that they have violated the by-laws or rules, will not do it again.

Joaquin

Joaquin was dealing with the short-term rental issue. After a review of the declaration, by-laws and rules, he determined that the corporation's governing documents did not say anything about short-term rentals. The condominium board agreed to do some informal consultation with owners who seem to agree that short-term rentals were not welcome in their community. The condominium board also contacted the corporation's lawyer to discuss options.

Based on these discussions, the condominium board decided on a potential resolution – a rule change, which would prohibit owners from renting their units as short-term accommodation. A vote on the resolution will be held at the next AGM.

Do you think Joaquin's response was sufficient?

For the short-term rental issue, Joaquin reviewed the governing documents and discovered short-term rentals were not addressed. He briefed the condominium board, who decided that "Fix it" was the right response. The condominium board consulted with owners and a lawyer and decided that there was probably enough support to propose a change to the governing documents at the next AGM. The issue is still not fully resolved but they have a plan, and Joaquin will keep tracking and monitoring it.

Gord

The noise complaint seemed to be related to a new restaurant opening on the ground floor of the building, and affected several units. The condominium board decided to bring in an acoustical consultant to perform a noise study, however, the consultant's report will not be available for a few weeks. In the meantime, the affected owners are becoming increasingly angry about the situation.

Because this issue impacts the affected owners' quality of life, it is not reasonable for the condominium board to "Avoid" or "Accept" the issue without potential consequences.

Based on the consultant's report, its best course of action is to try to "Reduce" or "Mitigate" the issue and follow the consultant's advice. The consultant has made some verbal suggestions, like noise-reducing mats. The condominium board has already asked the restaurant to try this and will monitor for improvements. There will be more suggestions in the written report when it is available, which the condominium board expects to implement.

The building issue ended up being more complicated than originally thought. Gord discovered that the issue was a recurring puddle of water in one of the common spaces. There was no known reason for the puddle, and Gord assessed that both the potential impact and severity of this issue could escalate. Gord's proposal to the condominium board was to bring in an external expert to determine the root cause of the puddling water.

The expert found that the puddle was caused by a water leak from two floors up that had been running through the interior walls of a rarely used stairwell. The leak seemed to have been occurring for long enough that there was quite a bit of internal damage and the foundation of the building may soon be at risk.

The engineering firm provided a written report with recommendations to address the situation. It also provided an estimated scope of work and high-level estimate for the cost of repairs. The only acceptable way forward in a case of this severity is to fix the issue. The condominium board discussed the options and agreed to follow the expert's advice and perform an immediate repair both to the leak and the damaged foundation. This will strain the reserve fund but is necessary in order to follow the expert's advice.

Do you think Gord's response to the noise complaint and building issue were sufficient?

Gord knew that both his issues would necessitate outside experts, and escalated the matters accordingly.

It's important to know when something is beyond your comfort level or area of expertise, and when you could benefit from the advice of an expert.

Reflecting on Issue Evaluation

When you consider an issue in your building, either resolved or ongoing, what 5 “W” questions should you ask? Were you ever tempted to jump straight to a conclusion based only on a superficial understanding of the situation?

22.7 Responding to and Resolving Issues

Once you’ve identified the issues and have sufficiently evaluated them, the final step is to respond and resolve.

The right response will be determined by each issue. But recognize that some responses will not be available for each issue. It is normal that you only have one or two responses to choose from.

In general, the types of responses are:

- Fix it – fully resolve the issue through direct action (i.e., repair or replacement)
- Reduce or Mitigate it – reasonably improve the issue but not eliminate it entirely;
- Avoid it – completely change the plan to prevent the issue from arising in the first place, or develop an alternative strategy; or
- Accept it – tolerate, or learn to live with the issue as is.

For more information on responding to and resolving issues please refer to the [CAO Guide on Issues Management](#).

In our scenario, Jasmine, Joaquin, and Gord chose to tackle the issues head on. What could have happened if they decided to “Avoid” or “Accept” an issue?

Most issues will require a “Fix It” solution, or a “Reduce” or “Mitigate” solution. When the condominium board is in full or partial control, and can influence the outcome, it is best to choose one of these options.

Accepting a solution can be tricky and have consequences if it is perceived that the condominium board has not done everything it can to address the issue. Accept is really only an option when the condominium board has fully adopted all expert recommendations and the problem continues. Or, when an issue is fully beyond their control.

A condominium board may be able to avoid an issue if they discover that bids for a large project are far higher than the funds available in the reserve fund. The condominium board could choose to drastically change the plan by reducing the scope to only what is necessary, which allows the project to be completed with the budget available.

Reflecting on How to Respond and Resolve Issues

Is there an issue you might have resolved differently now that you are more familiar with the options of Fix, Mitigate, Avoid, and Accept?

Note: If issues are ignored, the condominium board can be accused of unfairly or inconsistently enforcing the by-laws and rules, which is inconsistent with its duties under the Condo Act. Furthermore, issues can escalate into bigger issues and potentially emergencies.

Reflecting on the Consequences of Inaction

Did you realize that there were such serious potential consequences of taking issues too lightly, or not following professional advice? How might you change your approach to your work on the condominium board?

22.8 Tracking and Monitoring Issues

So far, we've talked about how to identify, evaluate, and respond to and resolve issues. A key aspect of issues management involves tracking and monitoring.

Tracking and monitoring helps condominium boards capture, assess, and monitor changes to the issues and the attempted resolutions over time. Tracking and monitoring begins as soon as an issue is identified and ends when the issue is closed.

One of the ways you can document, keep track of, and understand how issues change over time is by creating an issue log – remember, this is what the condominium directors in our scenario did, which is an excellent best practice.

An issue log can be as simple as a basic spreadsheet, or you can invest in issue tracking and management software. You may wish to include information such as the name of the issue, description, date of first identification, issue status, issue owner, date of resolution, and any other notes.

The issue log ultimately helps you monitor issues, and avoid situations like in our scenario, when the condominium board discovered that some issues had been missed.

For more information on tracking and monitoring, and on the issue log, please refer to the [CAO Guide on Issues Management](#).

22.9 Communicating Issues

The final topic in this course is communication. Although communication isn't a formal step in the Issues Management Process, it's just as important as the other components you have learned about in this course.

When dealing with issues, condominium boards should make a strong effort to provide proactive, transparent, and timely communications.

The condominium board's priority should be to communicate directly and often with affected owners and others that are involved in the issue.

For example, if a dog is constantly barking and the condominium board receives multiple complaints from owners on the same floor, the condominium board can communicate with the owner whose dog is barking to discuss and hopefully resolve the issue. They should also communicate to the complaining owners that action has been taken. However, it is best not to name the owner or unit where the annoying dog lives.

On the other hand, if a major project is experiencing delays or cost overruns, and the condominium board has received multiple complaints or inquiries, it may be appropriate and important to communicate to all owners that the condominium board has investigated, is considering options, and taking specific action.

It may also be appropriate depending on the situation to send multiple communications, or to use multiple channels of communication (e.g., a mass email to owners, a sign indicating work is underway, a short article in the community newsletter, and/or a message posted on the community portal).

Communication needs to occur on a case-by-case basis and be considered all the way through the Issues Management Process. In general, it is better to overcommunicate than under communicate, but communication will look different depending on the issue.

Module 23: Procurement

23.1 Introduction

This online course will provide condominium directors with the information and guidance they need to plan, develop and execute the process of purchasing goods and/or services for their condominium.

Please note that this course is best taken together with the [CAO Guide on Procuring Goods and Services](#).

This course has been developed to help you understand procurement. Procurement is the process of acquiring goods or services from an external source, often through competitive bidding. Some goods and services can be obtained through a relatively simple and straightforward process, while other situations are more complex. Regardless there are key steps that you should follow. In this course we have broken the process into eight general steps.

23.2 Learning Objective

Upon the completion of this course, you will be able to:

- Describe the steps involved in the procurement process
- Describe common stumbling blocks condominium boards may encounter as they undertake a procurement
- Describe how to avoid unnecessary risk in the procurement process.

23.3 The Procurement Process Steps

It's important that, as a condominium director, you have a general idea of what an effective procurement process will look like. Some purchases will not require a formal process, however, when considering a high-dollar value purchase such as construction work, major equipment, or major services, you will want to follow these eight steps:

- Step 1: Define the need and identify possible solutions
- Step 2: Develop a budget
- Step 3: Form the purchasing committee
- Step 4: Design bid process and prepare bid package
- Step 5: Communicate to board and unit owners
- Step 6: Run the procurement process

- Step 7: Receive and review the bids, and select the successful bidder
- Step 8: Award the contract

Some day-to-day purchases may be so small as to make some of these steps too formal or unnecessary. However, every condominium board will be faced with major purchasing decisions at some point in time and should be familiar with the steps of an effective process.

23.4 Define the Need and Identify Possible Solutions

As we begin a step-by-step examination of the procurement process, consider this sample scenario:

The roof of your condominium building starts to leak. The leak causes damage to both individual units and common elements.

The condominium board determines that something will need to be done in order to stop further damage to the building, and considers possible solutions, including patching leaky areas and deferring any repairs to the next years, or undertaking a full roof replacement.

The first step, as you have learned, is to define the need and identify possible solutions. What are some common stumbling blocks condominium boards encounter at this step?

At this stage of the process, boards may be aware of an issue in the building but might not fully understand what is needed to resolve it.

Sometimes, the purchasing need is obvious, however, this isn't always the case.

It is your role as a condominium director to ensure that you truly understand the situation for which purchasing is necessary, the potential solutions, and then put a fair and transparent process in place to make the purchase. For example, if you think back to make the purchase. For example, if you think back to the scenario introduced on the previous screen, depending on the size and nature of the roof leak, a patch repair might not be sufficient to stop the leak. The condominium board should obtain the right advice and work to understand which approach will best resolve the condominium corporation's needs at a price it can afford, and level of quality it expects.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information defining the need and identifying possible solutions.

The condominium board consults with an outside expert, who recommends a full roof replacement; what should be considered before the process moves forward?

Thinking back to our scenario about the leaking roof, the condominium board consults with an outside expert, who recommends a full roof replacement; what should be considered before the process moves forward?

Before moving forward, the condominium board should:

- Understand at a detailed level how the expert evaluated the situation, and the reasons why they are recommending a full roof replacement.
- Work with the expert to develop an appropriate scope for the project.
- Consider whether the roof needs immediate attention, (which will increase the cost) or if there is an optimal time for the project.
- Determine the risks involved both in proceeding or not proceeding with the full roof replacement.

Proceeding with a purchase, without taking the time to consider these factors, is a common mistake.

Learning Activity 23-1

Once the purchasing need is better understood and there is clarity around a potential solution, what's next in the procurement process?

- a. Develop a budget
- b. Prepare the bid package
- c. Hire a roofing company
- d. Speak with a lawyer

23.5 Develop a budget

It was determined in the previous learning activity that the next step in the procurement process is to develop a budget.

Let's check in with the condominium board from our scenario:

The condominium board has determined that the right solution is a full roof replacement for the entire condominium community, which includes townhouses, even though some of the other buildings are not leaking at this time. They engage the expert to perform a feasibility study, which determines the total cost of the roof replacement will be \$500,000. This is 25% of their \$2 million annual budget and there is not enough money in the reserve fund to cover these costs.

The second step of the procurement process is developing a budget. This should include both hard costs, such as labour and materials, and soft costs, which are expenses that aren't immediately obvious like maintenance, insurance, and security. For larger projects, such as the one in our scenario, budgeting can be performed as part of a feasibility study.

At this stage of the process, condominium boards might not pay enough attention to current market costs or the scope of the project. Not paying enough attention to these considerations at this stage can result in project cost expectations that are not aligned with the eventual bid amounts.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on developing a budget.

Learning Activity 23-2

What can the condominium board do to ensure an accurate budget is created?

- a. Speak to experts
- b. Get multiple cost estimates
- c. Look at current market costs for materials and other market trend
- d. Look at previous roof replacement costs and add 15%

What should a condominium board do if the cost estimate in the feasibility study exceeds the allowable budget?

If the cost estimate exceeds their budget, the condominium board should first review the estimate to determine if there are cost considerations or seasonal factors inadvertently driving up the price. Next, review the budget, and decide on next steps. The condominium board could consider increasing the project budget

revising the scope of the purchase to reduce the cost estimate to within the allowable budget.

- For operating account purchases, the project budget may be adjusted to account for the difference.
- For reserve fund purchases, a special assessment or loan might be required to cover the shortfall.

Note that there are pros and cons to both of these options.

23.6 Form the Purchasing Committee

The third step in the procurement process is to form the purchasing committee, which could consist of the whole board, a committee, or even outside experts.

Let's take another look at our scenario:

The board of directors decides that all condominium directors should be involved in overseeing the procurement process, and decides not to create a separate purchasing committee.

One condominium director is a retired engineer with construction experience, but the other two are working professionals with very little availability during the work week.

At this stage of the process, condominium boards might run into trouble if they choose committee members who do not have sufficient interest or time to devote to the process. They may also stumble by not bringing in the right experts for the job, or not recognizing the need for external expertise.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on forming a purchasing committee.

Consider the scenario – remember, the condominium board didn't create a separate purchasing committee and decided that all condominium directors would be involved. Is this how a purchasing committee should be formed?

The decision to not create a separate purchasing committee isn't ideal. While volunteering for additional duties is part of a condominium director's job, it is important to ensure that all team members in the procurement process have

both the interest and time to devote to a project that could take months of planning and preparation and require prompt decision-making.

Consider creating a committee with proper resources to devote to the procurement process.

In the scenario, one of the condominium directors worked in construction. Is this all the expert help that is needed for this project?

It depends! It's good to use the expertise of the condominium directors where available but, depending on the scale and type of the project, additional external help may be needed.

A good rule of thumb is to bring in experts when you are working outside your comfort zone, whether it's a project that's outside your area of understanding, or a budget that's bigger than you're used to working with.

It is important to understand that, even if one condominium director has relevant experience, the remaining board members are still expected to be involved. All condominium board members are required to do their own due diligence before making a decision.

Learning Activity 23-3

What can the condominium board do to ensure an accurate budget is created?

- a. Architect or engineer
- b. Plumber
- c. Lawyer
- d. Environmental consultant
- e. Auditor

Learning Activity 23-4

What can the condominium board do to ensure an accurate budget is created?

- a. Assemble competitive bids
- b. Design bid process and prepare bid package
- c. Develop a budget
- d. Identify possible solutions

23.7 Design Bid Process and Prepare the Bid Package

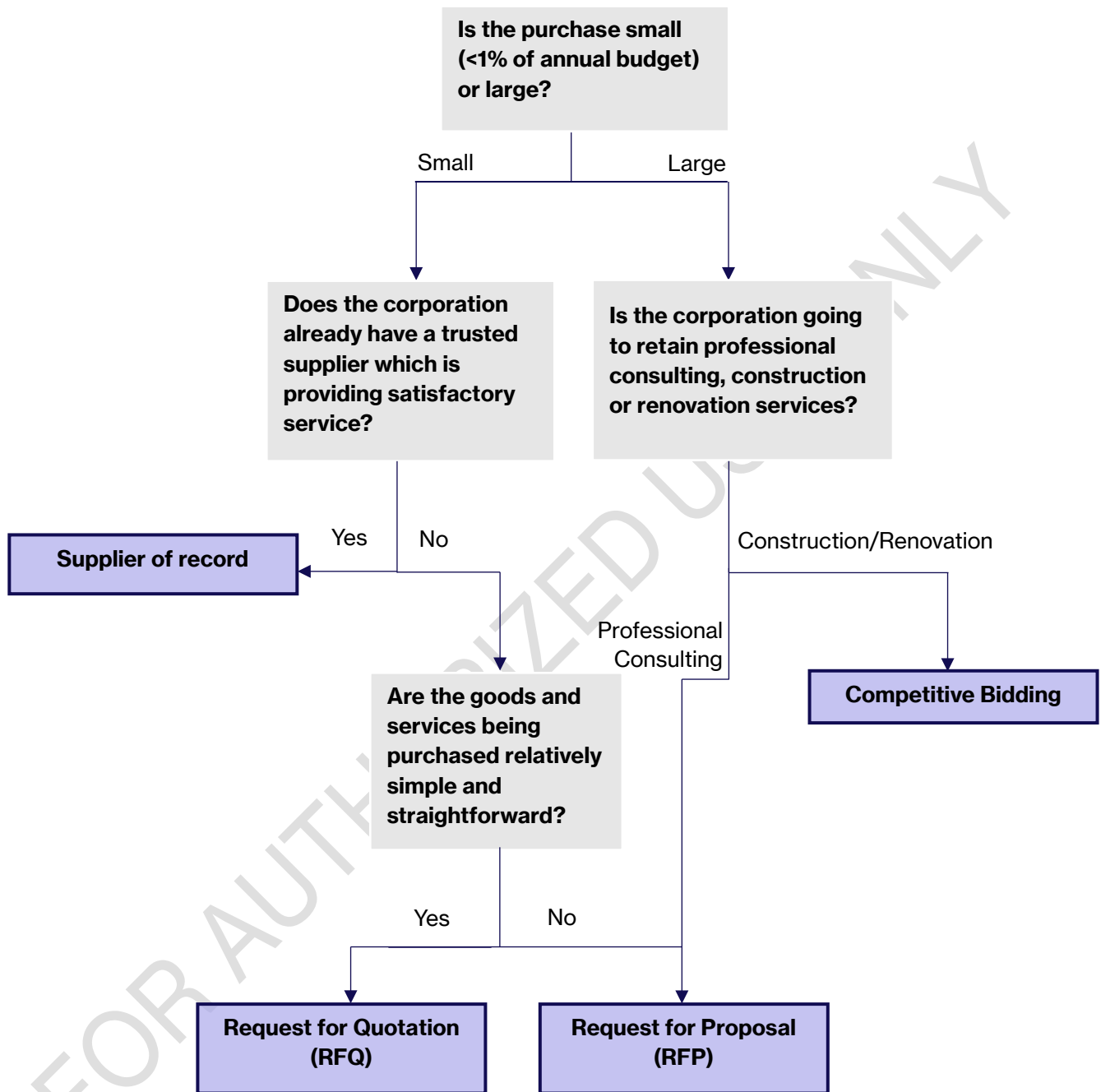
Design the bid process and then preparing the bid package is the fourth step in the procurement process.

There are four procurement approaches that can be chosen from, depending on the size and scope of a project:

- Supplier of record
- Request for quotation (RFQ)
- Request for proposal (RFP)
- Competitive bid, which is typically used for large construction or renovation projects

The flowchart below from the [CAO Guide on Procuring Goods and Services](#) will help you design the right bid process.

Procurement Approach Flowchart



Scenario

The condominium board decides to issue a request for quotation (RFQ) from three roofing companies for the roof replacement. Next, the condominium board needs to prepare the bid package.

It's important to remember that what goes into this package depends on which procurement approach has been chosen. You may choose to develop formal bid documents or perform a small request for proposal or quotation (RFP or RFQ). Each case will be unique, and it's important you determine the approach that's right for you and the project.

At this stage of the process, condominium boards might stumble if they don't decide on the right procurement approach. Remember, the bid package will look different based on the procurement approach taken.

Condominium boards also stumble if they don't have a clear idea on what information they need to provide to potential bidders.

It is important that enough questions are asked to ensure everyone involved is comfortable in the decisions that are made. Condominium boards need to understand which approach will work best for their needs.

It is also important to stay within the scope for the original procurement and not overcomplicate the process. While condominium boards would be well served to consult an expert to develop specifications for a full roof replacement, the same would not be true if they were only completing patch repairs.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on designing the right bid process and preparing a bid package.

Learning Activity 23-5

Consult the flowchart from the CAO Guide for Procuring Goods and Services. When you consider the scenario (remember, the condominium board went with an RFQ), do you think their choice of procurement method was the right one?

- a. Yes
- b. No

Learning Activity 23-6

Consult the flowchart from the CAO Guide for Procuring Goods and Services once again. Which procurement method should have been chosen?RFP

- a. RFP
- b. Competitive bid
- c. Supplier of record
- d. RFQ

23.8 Communicate to Board and Owners

The condominium board has now identified the need developed the budget by engaging with experts on a feasibility study and developed the bid package.

The condominium board has had one meeting since the procurement process began, and owners were notified (by a bulletin in the elevators) of an upcoming roof replacement. There have been no further updates and the leaks continue.

This step – communication, should really occur throughout the procurement process. The committee should communicate back to the condominium board at all key stages of the bid development process to ensure scope in the bid documents matches the intended project scope.

They should also communicate to owners using effective approaches, like a mass email or newsletter.

Communication during the procurement process is critical. Look at it this way, if an owner has to ask, “What’s going on?” there has been a failure of clear communication and that can lead to errors and suspicion.

A lot of times, lack of communication is not malicious, but rather arises from the board not fully understanding their obligations.

A list of good communication practices has been provided for you. Select the link onscreen to download a copy of this list and save for your records.

Refer to the [CAO Guide on Procuring Goods and Services](#) more information on the importance of communication.

Good Communication Practices

- Proactively communicate anything that might affect owners, before it happens.
- Routinely communicate with owners about big projects, such as posting on the community portal.
- Communicate the process that the board has agreed to follow and be transparent about how decisions will be made.
- Respond to inquiries or complaints as quickly as possible, even just to acknowledge someone's message within a few hours if you can, even when you don't have an answer or more information to give. It may help to designate one director to manage communication if the project is particularly sensitive / important / expensive.
- Tell owners when you will communicate with them next.
- Maintain confidentiality and integrity of the procurement process. Some owners will ask for information that should not be disclosed at this time. It's ok to gently and sensitively manage owner expectations, and direct them to the regular communication protocol that all owners will receive (e.g., weekly mail, blog post, notice in mailbox, etc.).

In our scenario has there been adequate communication to the condominium board and owners? Why?

No, there hasn't been adequate communication to either the condominium board or owners.

Communication is important because:

- Regular reporting from the purchasing committee back to the condominium board during the procurement process will ensure that the project stays on track and adheres to the original scope and vision. Think of these as built-in checks to keep everything on track.
- Communicating to owners leads to greater buy-in. Consider the avenue of communication and what will reach the most people – this could be a combination of email, handout, or whatever works best for each individual situation.

Owners should be kept aware of the intended timing for upcoming projects, the process being followed to make decisions and who is involved, as well as any potential impacts that could disrupt their day-to-day. If there are financial impacts to a project (for example, a special assessment), these must be clearly communicated as soon as possible.

Learning Activity 23-7

Now that you've communicated to all condominium board members and unit owners, what is the next step in the procurement process?

- a. Run the bid process
- b. Revise the budget
- c. Select company to do the work
- d. Bring in outside experts
- e. Form the evaluation team

23.9 Run the Procurement Process

The condominium board posts the bid package online to a procurement/tenders site with a 2-week deadline. An in-person mandatory bidder information session is scheduled 5 days after posting the bid package. It is late August, and the condominium board is hoping to have the roof replacement done before winter.

Only a quarter of those invited attend the mandatory meeting.

During the bid process, condominium boards may stumble if they do not pay proper attention to the timing of the procurement. For example, you don't want to have bidders trying to inspect asphalt work in February when the property is covered in snow, or have mandatory meetings during busy season, when contractors might be concentrating on existing jobs rather than a bidding process. Consider that construction procurement is typically best done in late fall/early winter for the following year. If timing isn't aligned with the industry, bidders may not be motivated to participate, which ultimately reduces the effectiveness of the procurement process.

It is also important to plan ahead and understand that the procurement process can take weeks or even months depending on the complexity of the project.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on the guiding principles of the bidding process.

Learning Activity 23-8

What is the benefit to scheduling an in-person mandatory bidder information session?

- a. Allows vendors to ask clarifying questions
- b. Allows vendors to see the property in real life
- c. Allows vendors to confirm the budget
- d. Allows vendors to see who else is bidding
- e. Allows you to see which vendors are most likeable
- f. Allows the condominium board to gauge interest in the project

In the scenario, only a few roofing companies show up to the mandatory bidders meeting. What went wrong?

In this case, the meeting was scheduled too soon after the bid package was posted, and it's likely that not all interested vendors would have seen the post.

Additionally, many vendors will be extremely busy at the end of August finishing up existing projects and would not have the capacity to take on more work before the end of the year. When seasonally busy, sometimes vendors don't even have the time to prepare a bid for new work. The poor timing of the process can work against the goals of the condominium board.

Is there anything you would have done differently to make the bid process described in the scenario run better?

There are a few things that could have been done differently. For instance:

- A private bid call with prequalified bidders could allow for an expedited bidding process;
- The timeline for submitting bids could have been extended; and
- The mandatory bidders meeting could have been scheduled for a time better suited to the industry.

The timeline of the project should have been considered – trying to rush something to be done before a certain deadline (in this case, winter) may add risk to the process but certainly means it is necessary to appropriately plan.

23.10 Receive and Review Bids

The next steps involve unsealing the bids that were received and selecting the successful bidder.

Let's see how it goes for the condominium board in our scenario:

The condominium board gathers as a group to unseal the bids that were received and begin the review process. As part of the discussion, one of the condominium directors tells the condominium board that one of the roofing companies that submitted a bid is owned by his son-in-law.

It's important during this step that the condominium board or purchasing committee meets to unseal the bids at the same time. Any conflicts of interest must be addressed immediately, and all bids must be evaluated on the same criteria.

Note that bids may have to meet mandatory criteria or conform to a standard template or format; this is developed by the committee or condominium board prior to sending out the bid package and communicated clearly to all interested parties so the bids can be evaluated against this criteria after opening.

In order to preserve the integrity of the process, condominium boards have to have certain measures in place when they receive and review bids. Common errors include not ensuring that the bids are unsealed at the same time and in front of all condominium board representatives. This is an important step; make sure to have those present sign the top corner of the bid or something similar in order to ensure the witnessing process is clear.

Condominium boards may also stumble by allowing bidders to change a bid or submit their bid after the process has been closed and the original bids have been unsealed.

Finally, they may ignore potential conflicts of interest, which can lead to serious consequences.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on receiving and reviewing bids.

What key considerations should the condominium board in this scenario, and any board for that matter, keep in mind during the evaluation phase?

The condominium board should ensure:

- All bids were received according to the procurement process;

- All bids are unsealed at the same time in front of witnesses;
- All bidders adhere to the specified evaluation criteria and non-conforming bids are thrown out;
- The meeting is held in a timely manner to ensure the bids do not expire before a decision is made;
- The bids are not tampered with or changed once the evaluation process has begun; and
- There are no conflicts of interest that could impact the process – in this case, the involved condominium director acted properly by declaring their conflict as soon as it was discovered, but they should also be excluded from the vote. Note, you can consult the Condo Act and/or the [CAO Guide on Governing Condos](#) for conflict of interest requirements, but, in general, best practice is to disclose a possible conflict as soon as it is known.

In some cases, the review process may also include interviewing short-listed vendors. It's important, when evaluating the bids, that the scope of the project matches the vendor's capabilities. This can be dealt with ahead of time by pre-qualifying vendors.

23.11 Award the Contract

The condominium board has unsealed the bids and arrived at the final step of the procurement process, awarding the contract. Let's take a look:

Some members of the condominium board are shocked at the dollar amounts in the bids. Though they all fall within a reasonable range and the lowest bid is less than the budget estimate, some condominium directors are suggesting the condominium board should delay the decision and try another procurement process next year.

This has caused a delay in awarding the contract.

Some capital projects will cost a lot of money, far more money than you are used to spending, but that doesn't necessarily mean that they are too expensive. It's important you remember that, if the bidding process was fair and the final bids are within budget, you cannot allow a high dollar figure to derail the process.

Condominium directors need to be mindful of timing; remember, the clock is ticking as soon as the bids are unsealed.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on awarding the contract.

Learning Activity 23-9

Now that you've communicated to all condominium board members and unit owners, what is the next step in the procurement process?

- a. The bids will expire, and the process will have to begin again
- b. The roof issues could escalate to an emergency
- c. The owners could become frustrated and angry at the delay
- d. All of the above

How expensive is too expensive when it comes to a large-scale project?

"Expensive" is a relative term! Due to the size of condominium properties, capital projects will cost a lot of money, but that doesn't necessarily mean that they are "too expensive". If the bidding process was fair and the final bids are within budget, don't allow numbers to derail the process.

The condominium board can use the bids received to assess whether their original budget estimate was realistic. This can help inform future purchasing and budgeting decisions, in the event, for example, that certain raw materials dramatically increase in price (for example, lumber, steel, etc.).

23.12 Avoiding Unnecessary Risk

Up to now, we have been focusing on the steps of the procurement process, but let's turn for a moment to a consideration of risk – avoiding unnecessary risk is a critical part of procurement, and a key element of the condominium board's responsibility.

When we consider the scenario, even though the bids were reasonable, the roof replacement project is a big project, with a high price tag. The condominium board could feel pressure from owners or individual condominium directors to defer the project and must consider all associated risks.

The condominium board must consider:

- The financial risks associated with completing the project, such as depleting the reserve fund, or requiring a loan or special assessment

which may not be well-received by owners; and

- The risks posed by deferring a project. Sometimes owners and directors disagree on whether projects need to be completed immediately, but deferral can result in secondary damages (such as water damage or mould growth), liability, or building failure;

It is also important to recognize the risks that could result from improper procurement, such as increased project costs, legal risk, increased maintenance costs, shorter capital asset lifespan, and so on.

Understand which responsibilities fall to each party

To mitigate the risks that arise from improper procurement, it's important you understand which responsibilities fall to each party.

The condominium board is responsible for actively managing and monitoring the project. They must be forthright with information that will impact the bid decisions, project scope, and the contractor's understanding of the project.

The contractor is responsible for determining how to complete the project safely – typically, there are safety standards that are legislated that must be followed. The contractor is also responsible for any risk associated with conducting the actual work. Some condominium boards may try to take on these responsibilities, which could mean taking on a liability risk that is outside their field of responsibility.

The goal is not to eliminate all risk – there is no such thing as a risk-free project. Rather, you should understand ways to minimize it (one way is to use standard industry contracts where you can). Listen to experts and understand your responsibilities regarding permits, liability insurance, etc.

Refer to the [CAO Guide on Procuring Goods and Services](#) for more information on mitigating risk.

What risks would be associated with the roof replacement project in our scenario and how could they be minimized?

There is always an element of risk in every project; health and safety risks, financial risks, the risk that comes with not acting fast enough. Risk also arises when the condominium board is not managing or monitoring the project

effectively, and/or not acting on quality issues/deficiencies during the project when they can be resolved.

In the case of this scenario, the condominium board could minimize the risk by, for instance, acting promptly to prevent future roof leaks, ensuring a realistic budget and schedule are in place, using standard industry contracts, developing proper bid documents that include specifications and drawings that clearly communicate the project scope and requirements, and disclosing relevant information to bidders (e.g., designated substances and project deadlines).

After the purchasing is complete, it is important to use good project management practices to minimize project-based risks that occur once the project begins.

Module 24: Insurance

24.1 Summary

This module provides basic information about the types of insurance a condominium must carry.

24.2 Learning objectives

Upon completion of this module, you should be able to:

- describe the types of insurance that a condominium must maintain;
- Understand how insurance payments must be used in the event of a claim; and
- Identify the board's obligations to provide insurance information to owners.

24.3 Introduction

The obligation to maintain insurance is an important responsibility. The Condominium Act, 1998 ("the Act") requires condominiums to maintain several [types of insurance](#):

- General liability insurance for property damage or personal injury
- For damage to the units or common elements caused by "major perils", such as lightning, fire, vandalism, etc., as well as any other perils that the declaration or by-laws may specify
- Insurance protection against liability arising from the use or operation of boilers, machinery, pressure vessels and motor vehicles; and (if reasonably available)
- Directors and Officers insurance against liability that may arise from the execution of their duties on the Board

Important: In addition to the legislation, directors should review the declaration and incorporate provisions as necessary into the by-laws to ensure the corporation has the necessary insurance in place.

24.4 Replacement Cost Insurance and Appraisals

Replacement cost insurance and appraisals

Condominiums must obtain insurance for the replacement cost of the entire condominium property – excluding owners' personal property. This means that there must be sufficient insurance coverage to fund rebuilding of the common elements and the units (up to the level of a standard unit) if the property is completely destroyed.

The property's replacement cost is determined through an N appraisal, based on a thorough on-site inspection conducted by an independent professional. This is critical to ensure that a condominium is neither over nor under-insured.

Economic changes can affect the amount of insurance coverage condominiums need. For example, if construction costs rise, more insurance coverage could be needed.

Deductibles

Property insurance should have a [reasonable deductible](#). The deductible is the portion of the claim which is not paid by the insurance company.

The deductible may be paid by a condominium or, in some circumstances, the condominium may decide to charge the deductible back to a unit owner (for example, fire damage to a party room because an owner left lit candles unattended).

24.5 The use of Insurance Proceeds

The condominium must [use insurance claim payments](#) to repair or replace the damage that has occurred to the common elements or units.

The condominium is only required to insure and repair a unit up to the level of a "standard unit." A standard unit is defined in the by-laws.

Those elements of the unit which are not part of the standard unit are considered improvements. The condominium does not have to insure or repair them.

Unit owners should have their own insurance policy for their personal property and improvements to their unit.

24.6 Providing Insurance information to Owners

The condominium is required to [provide owners with information](#) on insurance coverage and deductibles. The Periodic Information Certificate (PIC) describes the condominium's insurance coverage and deductibles.

An Information Certificate Update (ICU) must be circulated to owners if insurance coverage or deductibles change. Another module provides more detailed information on Information Certificates, and when these certificates must be sent to owners.

Knowledge Check 24-1

Which of the following is NOT one of the types of insurance coverage a condominium corporation must maintain?

- a. Insurance for damage caused by major perils
- b. General liability insurance
- c. Insurance for the personal property of owners
- d. Insurance against use or operation of machinery, pressure vessels and motor vehicles.

Knowledge Check 24-2

True or False?

The deductible is the portion of the claim which is not paid by the insurance company.

Module 25: Emergency Planning & Preparedness

25.1 Introduction

This course will provide condominium directors with assistance in identifying, planning for, and responding to situations or hazards that might arise suddenly or unexpectedly in the condominium corporation, and which present serious risk to health, life, property, or the environment.

Condominium board members will have varying levels of experience in planning for emergencies, and it is important that, as a condominium director, you are aware of your responsibilities to the community as a whole.

Please note that this online course is best taken together with the [CAO Guide on Emergency Planning](#).

25.2 Learning Objectives

Upon the completion of this course, you will be able to:

- Define “hazard” and describe what constitutes the difference between an emergency and an issue (or inconvenience);
- Assess vulnerabilities within your condominium corporation and identify possible emergencies that may arise;
- Assess the likelihood and impact of each identified hazard;
- Describe the emergency response plan;
- Describe the importance of testing the plan; and
- Describe how emotions can impact your response in the event of an emergency.

25.3 What is a Hazard?

All situations, whether issues or emergencies, begin as hazards. It is a matter of the risk involved or the degree to which a hazard escalates that determines whether it is considered an emergency or an issue. Emergencies pose an immediate and serious risk to health, life, the condominium's property or the broader environment and must be planned for. An issue (or inconvenience) can usually be addressed in a timely but non-urgent manner.

Emergencies, which will be the focus of this course, should trigger an immediate response to prevent or minimize potential harms.

Keeping these definitions in mind can help you determine what is, and what isn't, an emergency. The perceived urgency of a situation can vary from person to person, so remember to consider the factors above.

Refer to the [CAO Guide for Emergency Planning](#) for more information on the difference between an emergency and an issue (or inconvenience).

Potential Hazards

Potential hazards you may face inside your building include:

- Building fire;
- Burst pipe or other localized flooding;
- Critical equipment failure, such as HVAC systems during a heatwave;
- Power failure of long duration; or
- Elevator entrapment

Events that occur outside the building, which could escalate into an emergency could impact you as well. These include:

- Pandemic and infectious disease events;
- Civic disturbance or riot events; or
- Weather events (for example, extreme heat, extreme cold, winter storms, overland flooding, severe thunderstorms).

Finally, less common but possible emergency events include:

- Structural collapse;
- Explosion;
- Criminal activity;
- Condominium fraud or bankruptcy;
- Man-made disaster events (for example, terrorist activity, manufacturing or industrial disasters, accidental or deliberate chemical releases, leaks or spills, vehicle-based or airplane disasters, nuclear event); or
- Other environmental disaster (for example, widespread flooding, wildland fire, tornado, drought, erosion, landslide).

25.4 Assessing Vulnerabilities

The first step in emergency planning is to look at your unique situation and determine all the possible emergencies that may occur.

It is never possible to plan for everything, but being prepared means planning now rather than later, where possible. The greatest value in emergency planning comes from the discussions you will have as a condominium board as you consider possible emergency scenarios, and develop an appropriate response if they should occur.

Ask questions, such as:

- What hazards may we encounter?;
- Which hazards should we be most concerned about?;
- What should be escalated to emergency level?; and
- What are we going to do about each of these hazards, if an emergency were to materialize?

Reflecting on Vulnerabilities

Grab a piece of paper or open a Word document on your computer and begin listing the possible hazards (including descriptions) that your condominium community may face.

Remember to consider hazards that might arise outside the building, as well as hazards that might arise inside.

What types of hazards should you consider? Should you only note hazards that pose the greatest risk to the condominium community?

At this stage, it can be valuable to simply list all the possible hazards that could affect your condominium community. You can evaluate and prioritize them later. Remember, the process of identifying hazards provides an opportunity for the condominium board to come together and start thinking about the general emergency planning process. A hazard may or may not turn into an emergency, but it is valuable to include everything you can think of at this stage.

This process is not about making a list and putting it away on a shelf. The discussion is the most important part.

25.5 Assessing Likelihood and Impacts of Hazards

Once you have created a list of hazards, each identified hazard can be evaluated on a predefined scale (typically determined by the condominium board), which measures both the likelihood and severity of possible emergencies.

Evaluate hazards from least likely to happen or very little impact to most likely to happen and greatest impact. But remember: some hazards may be high impact but low likelihood (such as a hurricane or terrorist event), whereas others may be low impact but far more likely to occur (such as extreme temperatures or heavy snowstorm). Others may be moderately likely and have a moderate severity or impact if they should occur.

The condominium board should consider that it isn't possible to plan in detail or prepare for all potential hazards. It's sometimes a good idea to apply more resources toward those situations that are moderately or very likely to occur, even if some of the remote possibilities would have a stronger impact.

Note: Condominium boards are encouraged to come up with their own scale, using whatever makes most sense in their situation.

Refer to the [CAO Guide on Emergency Planning](#) for more information on assessing risk.

Reflecting on Hazard Likelihood and Severity

Look at the list of hazards that you prepared in the previous exercise and begin prioritizing them by likelihood and severity.

Not all potential hazards will turn into emergencies. Those that you feel are most likely and most serious should be prepared for first.

Learning Activity 25-1

You should not start thinking about an emergency response until you have fully completed the process of identifying and evaluating all possible emergency scenarios.

- a. True
- b. False

It can be overwhelming to plan for an emergency without outside assistance, especially in large condominium corporations. Who might you consult with to help create your emergency plans?

Each situation will vary, but you may wish to consult with:

- Your condominium manager or condominium services provider, if applicable;
- Architects/engineers;
- Building inspectors;
- Contractors;
- Security consultants;
- Fire safety consultants;
- Community liaison officers from your local emergency response services, if available; and
- Other consultants, as necessary.

Gauge your comfort level and don't be afraid to suggest there is a need for outside expertise or advice.

25.6 Developing an Emergency Response Plan

When determining a response for those hazards that are most likely and most serious, condominium boards need to ask questions, such as:

- If and when a hazard becomes an emergency, what should happen?;
- Who determines how and by whom an emergency is triggered?;
- How do we keep residents safe?;
- How do we manage evacuation (and muster points)? and
- How do we keep residents informed and communicate with people with special needs?

It is important to develop an emergency response plan that includes reference to all these points, and more.

Refer to the [CAO Guide on Emergency Planning](#) for more information on developing an emergency response plan.

Reflecting on an Emergency Response Plan

There are many possible responses to an emergency situation. The “right” response will depend on your condominium community’s unique vulnerabilities, staffing and/or volunteer availability, and capability to handle an emergency.

The first step is to start brainstorming what you would do in the case of an emergency as well as what steps you would take to prevent that emergency from happening in the first place.

For example, if your condominium community experiences a prolonged power outage in the summer, you will need to have a plan in place to ensure owners don’t get sick or suffer from heat exhaustion.

Return to the list of hazards you have identified and prioritized, and begin thinking of possible responses you could discuss with your fellow condominium directors.

How would your condominium community’s unique features (such as the demographics of the owners) play a role in the planned emergency response for each scenario on your list?

Your emergency response plan will depend on the unique features of your condominium. For instance, as you consider your demographics, you will want to ensure you assess the vulnerabilities of the community. Consider individuals with special needs and the building itself to determine what your response should entail.

What contact information should you include in your emergency response plan?

In addition to contact information for the condominium board, you should ensure you:

- Have 24-hour contact information for all staff and condominium management company contacts;
- Know how to reach owners/residents in an emergency (for example, through text messaging);
- Have emergency contact information for all owners and residents in case someone is lost or hurt during the emergency; and
- Have emergency contact info (24/7) for all suppliers as well as for backups in case urgent help is needed to secure the property, board up windows, address a major leak or flood, etc.

25.7 Testing the Plan

Now that the emergency response has been developed for a number of key scenarios, and your plan has been drafted, it is important to test it out.

All planning exercises have built-in assumptions – conscious or unconscious. Assumptions might include:

- **Availability of informed participants/volunteers**
Ask yourself: Who does our response rely on? Is it the condominium board president? Other condominium directors? The condominium manager? What if these individuals are not available? What if the emergency involves one of the condominium board members?
- **Time of day or season that a particular emergency arises**
Ask yourself: Should our plan change if this emergency arises on a weekend versus a weekday? Overnight versus daytime hours? Winter versus summer?
- **The availability and/or reachability of key suppliers**
Ask yourself: What do we do if our usual plumber/electrician/elevator repair company cannot be reached, or they cannot respond in a reasonable period of time?
- **Ease of access to certain areas of the condominium property, and/or access to security codes or keys**
Ask yourself: Who has the right keys for access to key condo mechanical equipment and systems? Is there a backup set of keys available on the premises? Are there security codes needed? Have they been updated recently?
- **Ease of communications between key emergency response roles**
Ask yourself: What if our phones don't work? Do we have contact information for everyone? Where is the plan kept and can it be easily communicated to emergency responders?

There will inevitably be many assumptions made during the planning process. Before an emergency arises, it is important to find out whether the assumptions made will help or hinder your response in an actual emergency.

To avoid confusion and increased risk, all emergency plans should be thoroughly tested before they are distributed to the community. You can choose to test your emergency plan through:

- Tabletop exercises;
- Live walkthroughs;
- Drills and practice events; or
- Mock disaster events.

Each has its own pros and cons, and you need to decide which is right for your plan and your condominium community.

Whichever option you decide on, it is important to take the time to thoroughly review the plan and test its effectiveness. You will learn where changes need to be made.

Refer to the [CAO Guide on Emergency Planning](#) for more information on these test scenarios.

Reflecting on Testing the Plan

You have learned about the assumptions that are inevitable when building an emergency response plan. Testing is valuable because it can show you the validity of the assumptions that have been made, and what changes you need to make to address these assumptions.

Think about your emergency response plan and consider what other things you should test for. How will you test your plan.

Learning Activity 25-2

For each scenario below, please choose the most appropriate test (see options below).

- Tabletop Exercise
 - Drill and Practice Event
1. The board prepares an emergency response plan for an extreme weather event. They would like to test the plan, but the city is in lockdown due to pandemic measures.
 2. The condominium board wants to test the speed at which all owners could be safely evacuated.
 3. The condominium board would like to get an idea of how prepared individual condominium directors are to deal with an emergency situation, but doesn't want to involve the condominium community as a whole.

Why is it important to test your planned response?

Testing gives owners a certain comfort level in the event of a real-life disaster.

Testing is the only way that the condominium board can determine if the plan actually works – it is not uncommon even in tabletop exercises or drills to find out that an important door is locked and spare keys have not been made, so the plan fails.

These practical real-life tests are important to improve the plan, discover any weak spots, and make sure it actually works when the time comes that it is needed.

25.8 Handling Your Emotional Response

There are some emergencies you can see coming, like extreme weather events that are often the topic of public weather alerts or news media attention. They are slow enough that you are able to enact the emergency plan you have prepared for this eventuality.

However, you may also experience an acute emergency, such as a bomb threat, which can happen so quickly that it is hard to process what is happening. These types of emergencies can leave you stunned and disoriented.

Additionally, condominium directors are also owners. The emergencies we have discussed throughout this course impact you where you live, and they can affect your loved ones or your possessions. What do you do in situations like this?

While understandable, it's important you combat the human urge to panic in situations like this. Do not forget your responsibilities to the condominium community that elected you to the condominium director position.

As you have learned, practice is one of the key parts of emergency planning. This can help improve your reaction during the emergency response, so that, as a condominium director, you can stay calm in the event of an emergency, and meet your legal obligation to your condominium community. You can also talk to the condominium board about what the plan will be if an emergency directly impacts you, and determine what contingencies can be put in place.

As a condominium director, what are you going to do to ensure that, in the event of an emergency, your emotions do not get in the way of your response?

Being prepared and having an established plan is one of the most valuable things you can do to ensure you can meet an emergency situation calmly. Plan to bring in experts when needed, and test and refresh the plan regularly to make sure the response becomes automatic.

You need to understand that, even in an emergency, condominium directors have a duty to the owners and condominium corporation. It is important that you fulfill this duty even if the emergency affects you.

Reflecting on Your Emotional Response

In the event of an emergency, you could have two roles, both owner and condominium director. Think about how you would react in an emergency that directly affects you, such as a fire in your unit. How would you balance these roles?

Have a conversation with your fellow condominium directors and discuss where some flexibility may be built into the emergency plan (for example, if you are directly impacted by an emergency, could another condominium director step in to take on your responsibilities?).

For practical reasons, in situations where a particular condominium director or condominium board president has been assigned a key role (e.g., emergency coordinator), it may be wise to identify a back-up person and train them on the plan. This back-up person can then step in and play the role if the primary person is not present or available when the emergency arises.

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