

10 Ways to Build Your Community's Financial Health

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What is most important to your condominium owners? Curb appeal? Sense of community? Neighbourliness? Resale value?

Most owners would agree all these things are important. However, if your community isn't financially sound, it will be difficult to achieve any other goals. Financial success is possible if the board focuses on key priorities. Follow these 10 tips and you will be headed in the right direction to financial strength.

1. **Budget realistically.** It probably comes as no surprise to you, number one on this list is the budget. Your financial health begins with sound budget planning. Wise boards know keeping contributions artificially low will eventually come back to haunt all the owners. The corporation must be able to finance the daily operations as well as be prepared for the unexpected.
2. **Maintain operating accounts.** Even if your budget is well-planned, cash flow can still be a challenge. There may be times you need to dip into your operating account in order to meet a critical need. You can build your operating fund by adding a contingency to your budget, from revenue received for storage or parking rental, laundry income and other income sources that may exist in your community. A good rule to follow is: maintain your operating fund balance at a minimum of three month's contributions.
3. **Contribute to reserve fund according to the plan.** Every condominium in Alberta must have a reserve fund and a plan to fund it. At least every five years a reserve fund study must be prepared to estimate the time to repair or replace capital items. The study includes a plan to have the money available when it is needed, thereby avoiding special assessments. Capital items are typically structural elements, mechanical systems, and roadways, to name a few. Proper repair and maintenance of these big-ticket items enhances the value of your community. In addition to protecting your investment, having a healthy, properly-funded reserve fund is something prospective buyers look at when considering where they want to purchase.
4. **Have an investment plan.** Over the years the reserve fund will accumulate money that is being saved for upcoming, planned maintenance. Investing this money to earn income is another way to increase a corporation's financial strength. In order to protect the owners' money, the Condominium Property Act of Alberta is very clear about what types of investments a board can make. A condominium investment consultant can analyze the

requirements of the reserve fund and prepare a report detailing the best secure investments, ensuring all the money is protected by the Canada Deposit Insurance Corporation (CDIC). There is usually no cost to the condominium corporation for this service.

5. **The four important management reports.** To make sound management decisions the board needs four essential reports each month: a complete balance sheet, the current period's expenses, an expense report that compares actual expenses to the budget, and a complete report of receivables that are 30 days and more overdue. These should be prepared monthly by an accounting professional whose reporting system has checks and balances in place.
6. **Stay on top of arrears.** It's not OK for people to get behind in their monthly condo contributions. This is the money that pays the bills. In fairness to all the owners, everyone must pay their share. Create a collection policy that clearly defines the process. The policy should lay out all the steps from the initial arrears notice to foreclosure and the timing of each. A clear policy allows the board to fairly and consistently enforce the collection of overdue accounts. Additionally, encourage owners to pay contributions via pre-authorized debit to ensure timely payments.
7. **Review your insurance.** As a result of severe weather and damage, insurance premiums have gone through the roof in Alberta and elsewhere. Consult an insurance broker to review your policy and confirm the proper coverage is in place for your community.
8. **Talk to your ACMS Consultant and finance team.** The primary focus of your accounting team is the financial health of your corporation. Working closely with your Consultant, they record and report on your corporation's daily activities. At year-end they send the data to your auditor to prepare the audit. They should be kept up-to-date with any upcoming projects that may have financial consequences, and that includes just about every issue. Ongoing communication between the board, financial group and the consultant will go a long way to protecting and improving your corporation's financial health.
9. **Be informed.** Everyone is busy, but staying up-to-date with the condominium industry and understanding how it operates will help board members be more effective. Get involved with CCI, the Canadian Condominium Institute. Board members are welcome to attend lunch and learn sessions that cover condominium-related topics. They can also participate in courses to learn about the industry and changing trends. As a board member, you have a duty to help your community successfully face the issues that will affect your condominium. That's an important part of keeping your community financial healthy!

We know condominium finances can be complicated. We also know how important the information is to the health of the community.