

INFORMATION MEETING FOLLOW-UP

Memo to: Owners
BCS 1961, The Tides

Re: Information Meeting for SGM – Follow-up
Wednesday, June 10, 2020

At the Electronic “Zoom” information meeting held on June 10, 2020 at 7:00 p.m., there were 15 owners including the strata council present.

The owners attending asked the following questions:

Question: What happens if the special levy does not pass?

Answer: It is possible that the Strata Council may need to present the resolution again, at another General Meeting, with different options.

The strata manager advised the owners that the government has recently changed the legislation to be responsive to the needs of strata corporations and strata owners; the Province has issued an Order-in-Council (OIC) amending the Strata Property Regulation. The Regulation changes accomplish two things:

1. Clarify that strata corporations can pay for rising insurance costs from their Contingency Reserve Fund without approval from owners if payment is required before there is time to convene a General Meeting.
2. Help strata corporations cope with the COVID-19 pandemic by allowing them to postpone a General Meeting or take additional time to develop and implement a new meeting format (e.g. an electronic or restricted proxy meeting).

Question: Why did Council not choose to use more of the Contingency Reserve Fund and how did they come up with the funding proposal being presented?

Answer: To use more of the Contingency Reserve Fund (CRF) would be depleting the fund in its entirety.

- The insurance premium for 2020-2021 is \$350,540.00.
- The amount in the current operating budget for insurance is \$142,000.
- The remaining insurance premium was \$208,540.
- Council felt that expensing \$104,270 from the CRF and then \$104,270 as a special levy to the Owners to be paid in 6 equal payments would help alleviate some of the financial pressure on Owners due to COVID-19.

If the Council increased the strata fees by revising the operating budget, then the increase in strata fees would have to be retro-active back to January. Council felt it was better to use the Contingency Reserve Fund and not deplete the CRF entirely.

Question: What can be done to change the insurance market?

Answer: It is important that the strata corporation demonstrate that they have specific and actionable plans for mitigating and preventing future losses. The strata corporation should have a risk management plan in place. Noted below are general recommendations; the Strata Council will be working with Wynford to determine the best tools and maintenance practices to prevent losses. The following has been suggested by the insurance broker:

1. Bylaw Review

The strata should engage a lawyer or legal services to review the chargeback bylaw and ensure it captures intent with regards to the deductible bylaw.

The strata may wish to enact bylaws to assume responsibility for repair and maintenance of certain aspects of the strata lot – i.e. sprinkler cages or replacement of supply lines.

2. Owner Education

Risk control is only effective if there is commitment from the strata community. We would recommend that all owners are kept informed with regular communications. The strata may wish to convene town hall meetings, or similar meetings, especially if they have suffered losses, to educate owners regarding:

- *Collective community responsibility for loss prevention and mitigation*
- *Deductible chargeback*
- *Water shutoff locations*
- *Emergency contact numbers*
- *Best practices for:*
 - *Absences from units*
 - *Running dishwashers, dryers, and washing machines*
 - *Cigarettes and BBQs (if permitted)*

4. Repair and Maintenance

It is critical that the strata maintain the building components and systems with regular, scheduled maintenance using proper trades. Additional losses are a key driver of strata losses and stratas must maintain their systems and follow recommendations of experts to minimize losses (i.e. Depreciation Report).

5. Best Practices to Transfer Risk

All work should be completed by reputable, independent contractors that can provide evidence of liability insurance, noting the strata as an additional insured. It is also important to get a copy of the WCB Clearance Letter.

Moving forward, to show the insurers that the strata corporation is helping to educate the owners on mitigating risks, there will be a specific section in the minutes on insurance mitigation and helpful hints on the prevention and mitigation of specific losses.

It is also suggested that Councils, Owners, and Residents contact the Condominium Home Owners Association (CHOA) and your local MLA. CHOA is currently communicating with the Provincial Government regarding the challenges faced by strata corporations relating to insurance coverage.

Question: I understand that some brokers are not providing insurance coverage for buildings over \$40,000,000. Would it be possible to split the strata corporation into 3 different strata corporations?

Answer: The Tides is valued at \$58,591.00. In order to separate the strata into three separate strata corporations the owners would require a unanimous vote. There would be costs incurred for engineering, surveyors, new set of drawings. The City would also have to determine how the costs for the green space would be allocated between three buildings instead of one, being BCS 1961. The current greenspace is a shared cost between The Tides and Boardwalk but only amounts to approximately \$3,000 per year.

Question: What will Council do next year when the insurance renews?

Answer: The Strata Council will be looking at all different options on how to fund the insurance. At this time, it is too early to determine what the recommendations will be.

The strata manager did make a suggestion, that could be explored with BFL, in having the strata corporation's insurance renewal coincide with the strata corporation's year end. By this taking place it will ensure there are accurate numbers for the budget planning. Council liked that idea and the strata manager will follow up with BFL on the matter. Council noted it will not be an immediate fix – but will assist in the future.

Question: There seemed to be a delay between when the insurance expired, and when the insurance was renewed. What would have happened if there was a claim and no coverage?

Answer: BFL Canada continued to provide coverage for the strata to allow Council to review and make a decision, so there still was coverage.

Question: Is the fence project now put on hold?

Answer: Yes, will re-assess before next year's AGM.

Question: What is the current operating budget for 2020?

Answer: \$590,335.00

The *Strata Property Act* states that a strata must contribute 10% of their operating budget per year until the CRF is at 25% of the operating budget and lowering the CRF too much would require the strata to add additional funds into future budgets.

Question: What will the balance be in the CRF at the end of 2020 if the special levy is approved?

Answer:

Current CRF Balance as of May	\$392,572
2020 Allocation to CRF -June to December	\$52,000
Insurance Expense if Res approved at SGM on June 17 th	\$104,000
Balance at end of 2020 year – not including interest and or if there are no emergencies	\$340,572

Question: Would Council consider another information meeting before next AGM?

Answer: Yes

Question: Have insurance rates ever dropped?

Answer: Yes – the rates have dropped in the past; however, at this time, we do not expect to see any significant change in the near future. The insurance industry is tied to the global market and overall worldwide catastrophes do affect the rates. In 2019 we saw a number of insurers leave the strata market, however now we are seeing different insurers return, thus providing more options for the insurance broker to approach to obtain terms for the insurance coverage. We have now seen buildings that were not able to obtain full insurance coverage obtain full coverage in accordance with Section 149 of the *Strata Property Act*.

Thank you.

THE WYNFORD GROUP
Managing Agents for
BCS 1961, The Tides

Date: June 22, 2020