



Reserve Funds

Condominium Property Act

What is a reserve fund?

The *Condominium Property Act* (Act) requires that condominium corporations establish and maintain a reserve fund to provide for major repairs and replacement of property and common property owned by the corporation. Ensuring that buildings are repaired and maintained help to preserve the investment of the owners as buildings age.

Condominium owners pay for the repair or replacement costs by contributing to the reserve fund. The reserve fund is not to be used for ongoing maintenance, repairs, or replacements, such as yard work or window cleaning.

Condominium corporations have two years from the date the condominium plan was registered to complete the initial reserve fund study and approve a plan. This applies regardless of whether a developer, purchasers, or both own the condominium units.

The Act and regulations establish the responsibility and authority of the corporation to ensure a reserve fund study is conducted and make decisions around the reserve fund. The responsibilities of the Corporation are carried out by the Board of Directors. The corporation must:

- engage a reserve fund study provider to conduct and prepare a reserve fund study.
- after receiving a reserve fund report, prepare and adopt a reserve fund plan based on the reserve fund study report.
- provide a copy of the approved reserve fund plan to the owners before implementing the plan.
- maintain the reserve fund at an appropriate level so that the corporation can maintain the property based on the reserve fund study, plan, and other needs.
- maintain the reserve fund in a separate bank account and not combine the funds with other

corporation funds except when bills are paid under the reserve fund plan and ensure all managers or other persons handling the corporation money do the same.

- prepare and provide to the owners, an annual report on the reserve fund. This report is to be provided as part of the annual general meeting package each year.
- not use the reserve fund for capital improvements unless the owners vote by special resolution to allow it
 - Capital improvements involve making additions or alterations to the property that potentially increase value while the reserve fund is used to repair or replace existing property.

How much money should be in the reserve fund?

The corporation is responsible for determining how much money it should have in its reserve fund based on the reserve fund study and any other factors it wishes to consider. Additional information on reserve fund study providers, plans, and reports is available at:

<https://open.alberta.ca/publications/reserve-fund-study-providers-plans-and-reports>

The government does not review the reserve fund as every corporation is responsible for its own finances and budgeting.

How is the reserve fund managed?

Corporations may meet their funding requirements by:

- including an allocation for the reserve fund to the monthly contributions (condominium fees)
- good budgeting
- increasing condominium contributions
- levying special assessments
- borrowing money

For more information, call the Service Alberta and Red Tape Reduction Contact Centre at 1-877-427-4088

- using any combination of the above requirements.

These options give the corporation flexibility as to how and when to deal with repair and replacement costs, plan for future anticipated costs, while at the same time enabling it to deal with any potential surprises and undue hardship for owners.

For example, if the corporation does not have enough money in the reserve fund to cover significant repairs or incurs other large, unexpected expenses, the board may require each condominium owner to pay a special levy to cover the costs.

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