

MANAGING

Success Stories

TO COINCIDE with ACMO's newly launched public awareness campaign, we asked for success stories from ACMO 2000 companies. The following stories represent a cross-section of the significant projects and huge undertakings that RCMs and management companies take on as everyday responsibilities.

With a broad skill set that includes successful completion of ACMO's courses in finance, administration, human resources, law, and physical building management for RCMs, and a rigorous compliance audit for ACMO 2000 companies, directors and owners can expect managers to be reliable advisors in these and myriad other areas.

As you can see from these tales, managers and management companies are a very caring group.

Let's make 2013 – The Year of the RCM.



▼ **From Operations to Reserve Fund**

One of the most important areas in property management is working hand-in-hand with the board of directors to manage common element



fee increases. An inflationary increase is acceptable to most owners as it is expected, however larger increases can

result in political problems and/or frustrated owners. Controlling these increases is not an easy task with ever increasing utility costs and reserve fund contributions, the two components of any condominium budget that ultimately drive increases in common element fees.

Initiating measures to maximize operating efficiencies and minimize energy consumption can go a long way for the financial health of the corporation. For example some forecasts predict water and sewage rates to increase more than double over the next decade. Similar projections have been made for hydro. What can we do? As we tell our directors – doing nothing is no longer an option. There are many products and companies that can help to reduce consumption and therefore costs of these utilities with the pay-back in some cases being less than a year and most typically being 2 to 5 years. Some solutions are better than others and managers should advise exploring the options and finding the best ones that fit your particular condominium.

In keeping with MRCM's corporate desire to be supportive of our green responsibilities, at YCC 242 – 4001 Don Mills Road, we worked with the board of directors to complete a number of projects. We replaced our old atmosphere boiler with a high efficiency boiler. The following year we completed a water conservation project, a lighting retrofit project and installed CO monitors to reduce the ventilation



Energy savings – Management and board completed various 'green' projects saving close to \$100k in utility costs over two years.

fan running costs. We are currently installing LED bulbs in the building to reduce hydro usages even further. These efforts saved the condominium approximately \$100,000 in utility costs per year over the last 2 years. The board then elected to transfer these energy savings directly into the reserve fund account to offset any future increases in the reserve fund contributions and therefore controlling future increases in the common element fees. By liberating these funds from the operating side of the budget to the reserve the corporation was successful in offsetting future reserve fund demands providing an immediate benefit with future dividends. ■

Craig McMillan, RCM District Manager, Maple Ridge Community Management

▼ **Charting a Corporation's Financial Process**

Is your corporation on target financially? Do you have sufficient monies in the corporation's operating account to cover the day-to-day operations? Does your corporation have a balance in the reserve fund

account? Are you using reserve fund monies for operating expenses (not



yet transferred to reserve)? Do you have one month's common element fees as a surplus in the operating account? Most

of all, is the corporation's auditor able to provide your condominium corporation with a clean audit? If the answer to all of these questions is YES, that is great! If you can answer NO to any of them, then changes need to be made to the corporation's financial processes to be in compliance with the *Condominium Act, 1998* and GAAP.

MRCM was called by a consultant to quote on the management services of such a corporation – a corporation that had a qualified audit and a desperate financial statement, which was only the beginning. MRCM took to the challenge to help chart the course to recovery once we were certain the board desired resolution and were committed to seeing it through. It has been a long journey and not always a unanimous one, but one that MRCM and the board of directors are extremely proud of.

During this recovery process MRCM worked with the board to develop a solid plan that included

a monetary recovery as part of the annual budget. Expenditures were monitored, but not at the expense of operational maintenance or major repair and replacements. We also worked together with the corporation's sister shared facilities to ensure each was paying and billing for all required charges.

After 27 months, the operating account is no longer in a deficit position. The reserve fund account is in receipt of all its required transfers from the operating account. The cash flow is adequate in both accounts to continue to pay for expenses as they occur and we are working together to undertake restoration projects for this location due to its age.

It was unfortunate that this financial strife happened but this scenario may sound all too familiar. Fortunately, the board was open to direction and the corporation has a great auditor who worked with management and the board to develop a repayment strategy over a couple of years rather than special assessing each homeowner for the financial shortfall.

We know the journey is not over and we are now focusing on building a surplus in the operating account for those rainy day funds. We are also working collectively with the engineers to plan the future expenditures for repair and replacement of the building's major components.

No success story happens without a good team: the management company including the property manager and property accountant, auditor, engineer(s) and most of all a GOOD working board of directors who are fiscally responsible making prudent but decent decisions. ■

Carrie Cowton, RCM, Property Manager, Maple Ridge Community Management