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UNDERSTANDING YOUR RESERVE FUND

What Every Condo Owner in Alberta Should Know

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The Number That Shapes Your Investment

Most people who buy a condo in Alberta spend a great deal of time thinking about square footage, finishes, and location. Very few spend much time thinking about a reserve fund. That tends to change the first time a special assessment notice arrives in the mail.

A reserve fund is one of the most important financial realities of condo ownership. It affects the physical condition of the building you live in, the long-term value of your unit, and potentially your out-of-pocket costs for years to come. Yet for many owners and buyers, it remains abstract until something goes wrong.

This guide is written for anyone who owns or is thinking of buying a condo in Alberta. It is also written for the people who serve on condo boards and carry the responsibility of managing these funds on behalf of everyone in the building. The goal is straightforward: to give you a clear, honest picture of what a reserve fund is, how it works under Alberta law, and what to pay attention to.

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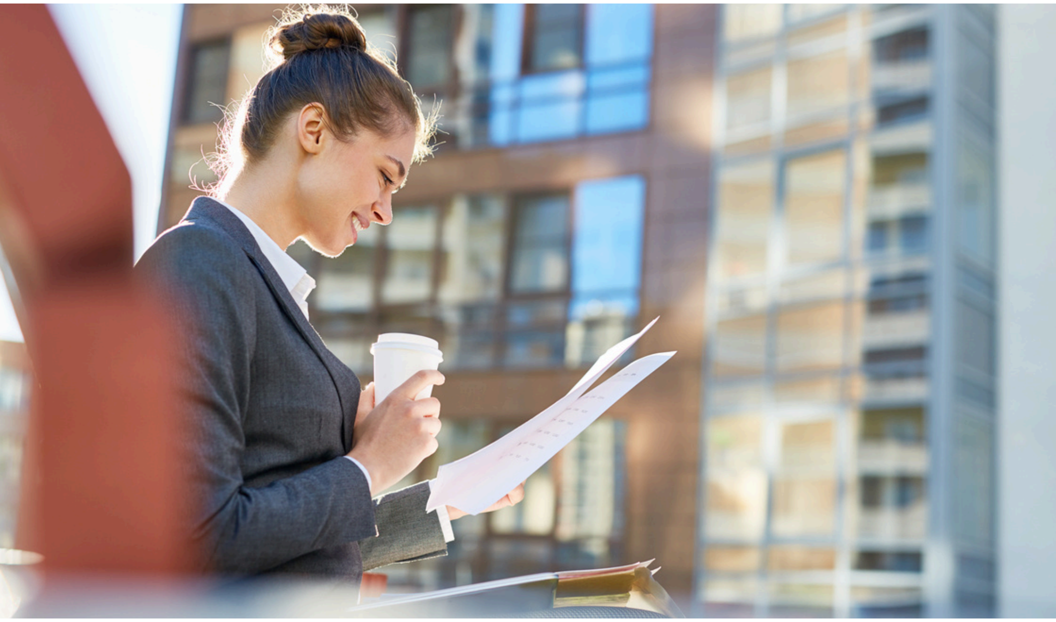
What a Reserve Fund Actually Is

Every condo corporation in Alberta is required to maintain a reserve fund. Think of it as a long-term savings account, held by the corporation, specifically designated for major repairs and replacements of common property elements. These are the parts of the building that all owners share: the roof, the parkade, the elevators, the windows, the boiler system, the hallways, the exterior cladding.

The reserve fund is entirely separate from the operating fund, which covers the day-to-day costs of running the building: utilities, snow removal, landscaping, insurance premiums, and routine maintenance. The two funds have different purposes and are never interchangeable.

Here is the practical reality. A building ages. A roof installed in 2005 will not last forever. An elevator installed in 2008 will eventually need a full overhaul. When that time comes, the money to pay for it has to come from somewhere. If the reserve fund is healthy, the corporation draws from it and life goes on with minimal disruption. If it is not, the owners face a special assessment: an additional charge, sometimes a significant one, levied to cover the gap.

Reserve fund contributions are collected monthly as part of each owner's condo fees. The portion allocated to the reserve is determined by a document called a reserve fund study, which we will look at closely in Chapter Three.



What Alberta Law Requires

In Alberta, reserve funds are governed by the ***Condominium Property Act*** and its accompanying ***Condominium Property Regulation.*** These are the foundational legal documents for condo governance in the province, and they set out specific requirements that every condo corporation must follow.

Under the Act, every condo corporation is required to establish and maintain a reserve fund. The legislation also requires that corporations conduct a reserve fund study at regular intervals and use the findings of that study to determine their contribution plan going forward.

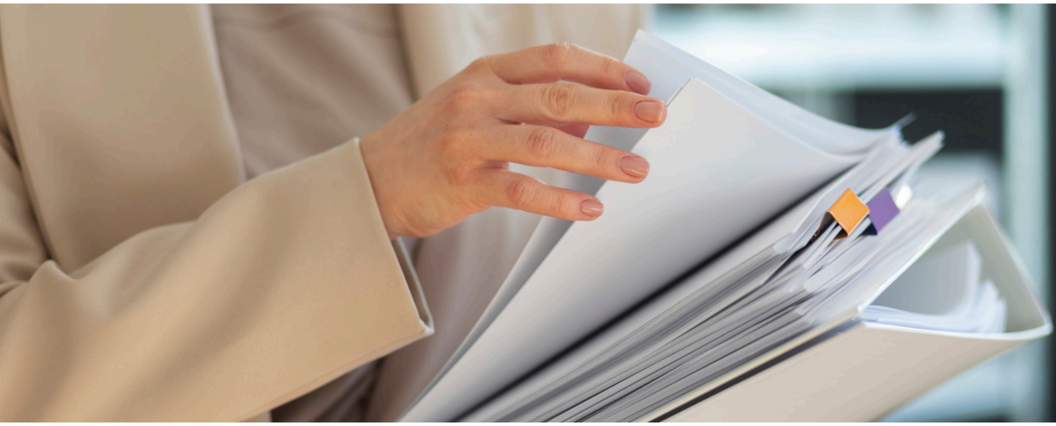
The *Condominium Property Regulation* specifies that a reserve fund study must be completed at least once every **five years**, though many well-managed corporations choose to update theirs more frequently. The study must be conducted by a person with the appropriate qualifications, and it must include a visual inspection of the building's common elements.

The Act also requires that the reserve fund be kept in a designated account, separate from operating funds, and that it not be used for anything other than its intended purpose. These are not suggestions or best practices. They are legal obligations.

Condo Corporation | Alberta Law | Reserve Fund

Condominium Property Act | *Condominium Property Regulation*

Understanding the Reserve Fund Study



A reserve fund study is a formal engineering and financial document. It is prepared by a qualified professional, usually a building engineer or a certified reserve fund planner, and its purpose is twofold: to assess the current physical condition of the building's major components, and to project the costs of repairing or replacing those components over a long planning horizon, typically 25 to 30 years.

The study identifies every significant common element, estimates its remaining useful life, and projects what it will cost to repair or replace it when the time comes. It then calculates what the corporation needs to contribute to the reserve fund each year, factoring in existing balances and anticipated inflation, to ensure the money will be available when it is needed.

A well-prepared reserve fund study is one of the most valuable documents a condo corporation holds. It tells the story of the building in financial terms. It identifies which systems are aging, which replacements are on the horizon, and whether the corporation is on track.

Every owner has the right to request access to the reserve fund study. Buyers can request it as part of their due diligence before completing a purchase. Existing owners can ask the board or property manager for the most recent copy.

When reviewing a reserve fund study, there are a few figures worth understanding.

The funded percentage.

This compares what the fund currently holds against what it should hold based on projected needs. A fully funded reserve sits at 100 percent. Many buildings operate somewhere below that level, which is common and does not automatically signal trouble. What matters far more than the number itself is the trajectory: is the fund moving toward adequate funding, or is it declining year over year?

The contribution plan.

This section shows what annual contributions are recommended to keep the fund on track. If the current contributions are significantly below what the study recommends, that gap is worth understanding.

Upcoming major expenditures.

Any large replacements projected within the next five to ten years deserve attention, particularly if the current fund balance is modest.

What "Underfunded" Really Means in Practice

The word "underfunded" carries a weight that is not always proportionate to the actual situation. Being underfunded does not mean a building is in crisis. It means the fund holds less than the ideal amount at a given point in time, relative to the building's projected long-term needs.

Every building has a funding curve. In the early years of a building's life, when major components are new and no large replacements are imminent, the reserve fund balance may be modest. That is normal. A 10-year-old building with a relatively low reserve balance is in a very different position than a 30-year-old building with the same balance and a roof replacement coming within the next three years.

What genuinely matters is whether the corporation is following a plan. Is it making contributions in line with the reserve fund study? Is the board reviewing the study at regular intervals and adjusting contributions when circumstances change? Is there a documented strategy for staying on track over time?

A building with a lower-than-ideal reserve balance but a well-considered contribution plan and capable governance is considerably less risky than a building with a higher balance and no coherent plan at all. Governance quality and financial transparency are often better indicators of a building's health than any single balance figure.

For buyers, the more useful question is not simply "how much is in the reserve fund?" but "is this corporation managing its reserve fund responsibly?" Those are two different questions, and the second one tends to matter more.

What Happens When a Building Runs Short

When a condo corporation faces a major expenditure that its reserve fund cannot cover, it has a limited number of options, and none of them are particularly comfortable.

Special assessments.

This is the most common outcome when a reserve fund falls short of a major expenditure. A special assessment is an additional charge levied against all owners, proportionate to their unit factors, to cover the shortfall. They can range from a few hundred dollars to tens of thousands of dollars per unit, depending on the size of the project and the depth of the funding gap. Under the *Condominium Property Act*, owners are legally required to pay them. They cannot be opted out of.

Borrowing.

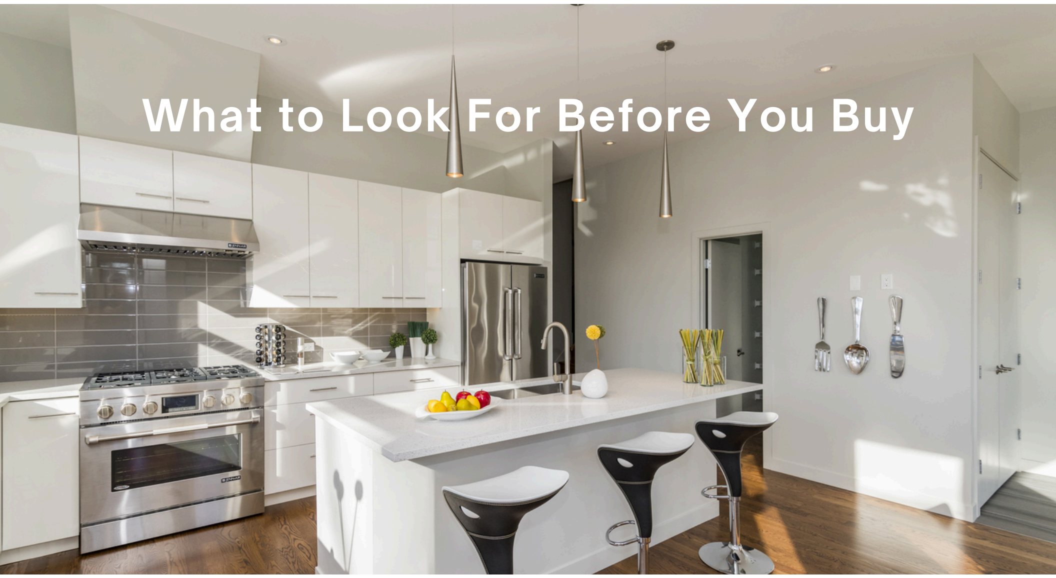
A condo corporation may, in some circumstances, borrow funds to cover major expenditures. This typically requires approval from the ownership and adds repayment obligations to the corporation's ongoing financial commitments.

Phasing or deferring work.

In some situations, a board may choose to extend the life of a component through interim repairs rather than full replacement. This can be a reasonable short-term decision, though deferred maintenance carries its own risks if it allows more significant damage to develop over time.

None of these paths is without consequence. The most reliable way to avoid them is consistent, thoughtful funding of the reserve over time, guided by current and accurate reserve fund studies.

What to Look For Before You Buy



For prospective buyers, reviewing reserve fund information is one of the most meaningful steps in the due diligence process. In Alberta, a condominium document package will include financial statements, the current operating and reserve fund budgets, and other relevant documents about the corporation.

The most recent reserve fund study is worth requesting specifically. The funded percentage and the contribution plan will tell you whether the corporation is on track financially. Comparing the actual annual contributions against what the study recommends will tell you whether the board is following through.

Board meeting minutes from the past two or three years are also worth reviewing. They will often reveal whether the board is actively managing upcoming expenditures, or whether significant issues are being discussed or deferred.

It is also reasonable to ask whether any special assessments have been issued in the past five years and whether any are currently anticipated. A well-governed corporation will be transparent about this.

No single document will tell the full story, but together these materials give a meaningful picture of both the building's financial position and the quality of its governance. A board that maintains current reserve fund studies, follows recommended contribution plans, and communicates openly with owners is generally a board that takes its responsibilities seriously.

A Note for New Board Members

Serving on a condo board is a genuine commitment, and the reserve fund is one of the most significant areas of financial stewardship the position carries.

The single most valuable starting point for a new board member is reading the most recent reserve fund study in full. Understanding the building's major components, their projected lifespans, and the current funding trajectory provides the context needed to make responsible financial decisions going forward.

From there, the board's ongoing role is to ensure that annual contributions align with the study's recommendations, that the study is updated on the schedule required by law, and that owners are kept informed about the financial position of the corporation in clear, accessible terms.

If the reserve fund study is out of date, or if there are concerns about whether current contributions are adequate, engaging a qualified reserve fund planner is a straightforward and worthwhile step.

Resources

1. https://www.alberta.ca/condominium-information
2. https://www.condolawalberta.ca/
3. https://www.reca.ca/
4. https://www.ccisouthalberta.com/

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This guide is intended for general informational purposes and does not constitute legal or financial advice. For questions specific to your corporation or unit, consulting a qualified professional is always recommended.