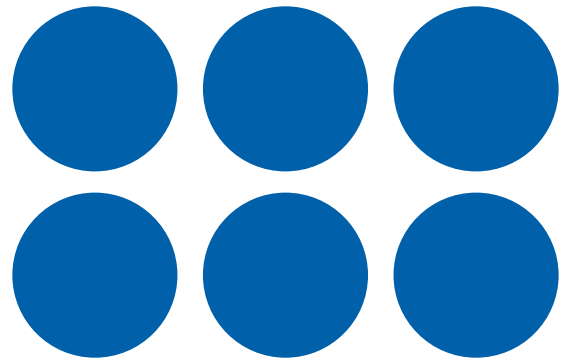


# stratachoice

Associates



- Where do my levies go?
- Lets talk meetings
- Newsletter Q & A's

Winter  
Issue 2011

# Welcome to the Winter 2011 Edition of Strata Choice

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After almost 10 years as a Director of Strata Choice Associates, Alastair Smith recently retired from the position of Managing Director. Alastair will continue as a specialist advisor to the Strata Choice Group.

We are pleased to announce the appointment of Daniel Linders as Group Managing Director and Sean Bermingham and Patrick Saad as Directors. Sean and Patrick will be known to many of our owner readers, having been associated with the company as senior strata managers for more than seven years. Patrick will also be responsible for heading up our newly established CBD office which will provide easier servicing to our CBD based clients.

In this issue of Strata Choice we deal with one of the most regular queries from lot owners wanting to obtain a greater understanding of what expenses make up their levy. We go in to detail about strata levies and the main components that make up a levy. I am sure you will be interested to find out what makes up the larger expenses of running a strata scheme.

We also discuss general and Executive Committee meetings, including items such as motions that must be placed on an agenda, what makes up a quorum, voting and who is entitled to vote at a meeting and minute production.

## Daniel Linders

Group Managing Director  
Strata Choice Associates

## Sean Bermingham

Director  
Strata Choice Associates



Daniel Linders



Sean Bermingham

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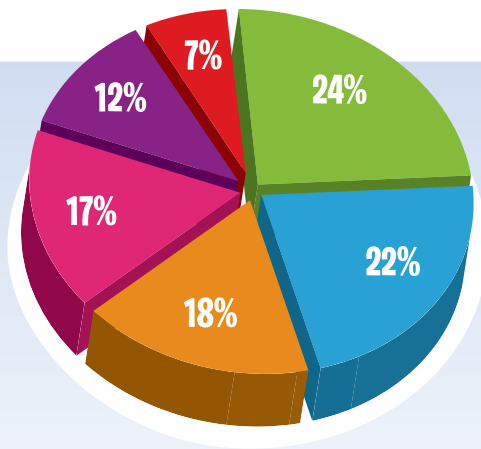
**Disclaimer:**

The information enclosed is general in nature and cannot be relied upon as legal advice. Strata Choice Pty Ltd and its members disclaim any liability (including for negligence) to any person in respect of: anything and the consequences of anything, done or not done, by any such person in whole or partial reliance upon the whole or part of the information enclosed.

# Where do My Levies go?

All funds collected by the Agent are placed in the Strata Managing Agent trust account and are held on behalf of the owners corporation. Payments are made from the account by not negotiable cheque and remaining funds are the owners funds not the Agents.

Throughout the year, the largest expense for the owners corporation relates to the building insurances of which more than 63% of the premium is government taxes comprising of GST, stamp duty, fire services levy and state emergency levy.



- Utilities
- Cleaning & Garden Maintenance
- General Building Maintenance
- Insurance
- Strata Management
- Accounting Fees, Disbursements & Other

Average Administration Fund expenses of 24 strata schemes at an average size of 25 lots  
*Taxation expense or refunds excluded from data*

Utilities such as water and electricity costs are starting to have a large impact on levy contributions. Water charges have more than doubled over the last 10 years with the biggest change being the removal of the free 200 KL per lot and most multiple level strata schemes only having one meter. This effectively means that one person living in a three bedroom apartment is subsidising the water usage of 3 persons living in a one bedroom apartment. Unfortunately the cost of retrofitting buildings to facilitate separate water meters is cost prohibitive.

Electricity is another area of increasing cost. Whilst this may be of less impact as it only relates to common property usage, it is still a large cost to owners when taken with an individual lot's consumption charge.

To summarise, whilst the Strata Managing Agent collects the levy contributions, they are held on behalf of the owners corporation in a trust account. The largest expenses to an owners corporation are in the area of lifts, fire services, insurances, repairs and maintenance, water and electricity. These items usually account for more than 50% of the contribution paid.



# Lets talk Meetings

During its lifetime, an owners corporation / strata scheme will hold two types of meetings. They are General Meetings and Executive Committee Meetings.

## General Meetings

There are two types of General Meetings - the Annual General Meeting and an Extraordinary General Meeting. By definition, the Annual General Meeting is held once per year and must include a number of statutory motions (i.e. motions that must appear on the agenda).

### Statutory motions are:

- Confirm minutes of the last general meeting;
- Adoption of the accounts;
- Appointment of an auditor;
- Raising of administrative and sinking fund levies;
- Additional insurances;
- Restriction of the powers of the Executive Committee; and
- Election of the Executive Committee.

As a financial owner you are entitled to put forward motions for inclusion on the agenda. Such motions should start with the word 'That' and be able to achieve an outcome. A motion that reads 'That cleaner' does not achieve an outcome. A motion that reads 'That the cleaner be discussed' can only discuss the cleaner. Owners may wish to discuss the wording of their motion with their Strata Manager as the Strata Manager cannot make any correction to a motion submitted by an owner.

The meeting notice should be in your hands for review at least seven (7) days prior to the meeting and include a copy of the previous minutes (if not already received), accounts, budget, statutory information and proxy form, details of all insurances held by the owners corporation and any other information for distribution.

**All motions on an agenda must be clearly detailed otherwise they do not specify a course of action for decision by the owners. GENERAL BUSINESS or OTHER MATTERS are NOT ACCEPTABLE MOTIONS.**





The notice will give a time and place for the meeting and the time on the notice is the time the meeting commences. *A quorum must be in attendance within half an hour of the scheduled commencement time and for every motion, which is 25% of persons, entitled to vote either in person, by proxy or company nominee.* A person is entitled to vote if all monies due and payable at the time of calling the meeting (the date of the meeting notice) are paid before the meeting commences.

In the event that a quorum is not in attendance, then after one half hour of the scheduled commencement time the meeting is adjourned and is reconvened at least seven (7) days later. Only 24 hours notice is required to reconvene the meeting which is by letter only. In the event that a quorum is still not in attendance after one half hour of the scheduled commencement time, then those persons in attendance are deemed to constitute a quorum. This may be the Strata Manager with only one proxy.

There are a few other legislative points that should be explained in relation to proxies and company nominees. Proxies must be received at or before the commencement of the meeting, not during the meeting or during an adjourned period.

Proxies for large schemes, being more than 100 lots excluding utility lots (carspace, laundry, etc), must be in the hands of the Secretary no later than 24 hours before the meeting commences. Company nominees must be recorded on the strata roll, therefore they cannot be received at a meeting.

At the Annual General Meeting each year, an owners corporation elects an Executive Committee which consists of between 1 and 9 persons. In a two lot scheme, the number is 2.

The method of electing the Executive Committee is to firstly call for nominations and then determine the number of persons to be elected. In the event that the number of nominations equals the number determined, then those persons nominated are automatically appointed to the Executive Committee. In the event that the number of nominations is greater than the number determined then a ballot takes place to determine the Executive Committee.



At the first Executive Committee Meeting after the Annual General Meeting, Office Bearers are elected being the Chairperson, Secretary and Treasurer. It should be noted that the Act requires an Executive Committee and Office Bearers to be elected. Failure to do so could result in an owner making an application to the Consumer Trader and Tenancy Tribunal (CTTT) for an order to appoint a compulsory Strata Managing Agent as an Administrator due to the owners corporation not functioning properly.

An Extraordinary General Meeting can be convened by the Executive Committee, by requisition of more than 25% of the units of entitlement of financial owners or by order of the CTTT. This type of meeting must include one statutory motion being the adoption of the minutes of the last General Meeting.

### Executive Committee Meetings

The Executive Committee is responsible, along with the Strata Managing Agent, for the day-to-day functions of the strata scheme. The reason the Strata Managing Agent is included is that an owners corporation delegates to the Strata Managing Agent a number of powers, duties and functions to facilitate the smooth running of the scheme.

The reason the word Agent is used is that the Strata Manager is an Agent for the Principal, the owners corporation and acts on their behalf at their direction.

The Strata Schemes Management Act does not detail the number of Executive Committee Meetings to be convened, the Act only details that meetings must be convened to resolve matters regarding the administration of the scheme, and of course to give direction to the Strata Managing Agent.

As with General Meetings, all motions must be detailed and therefore general business or other matters (unspecified) are not suitable agenda items.

A notice of Executive Committee Meeting must detail all items for discussion with the notice period being 72 hours. The notice must be affixed to the notice board. In the event that there is no notice board or it has been resolved at a General Meeting, the notice must be distributed to all owners recorded on the strata roll. The notice of meeting for large schemes must be served on all owners recorded on the strata roll.

The minutes must be completed within seven days of the meeting date and must be placed on the notice board for 14 days or served on all owners. The minutes must be served on all owners in respect of large schemes.



# Questions & Answers

**Q:** I am un-financial and cannot vote at the Annual General Meeting but I have 3 proxies from other owners who are financial. The Chairperson said I cannot vote for my lot or with the proxies as I am un-financial. Is this correct?

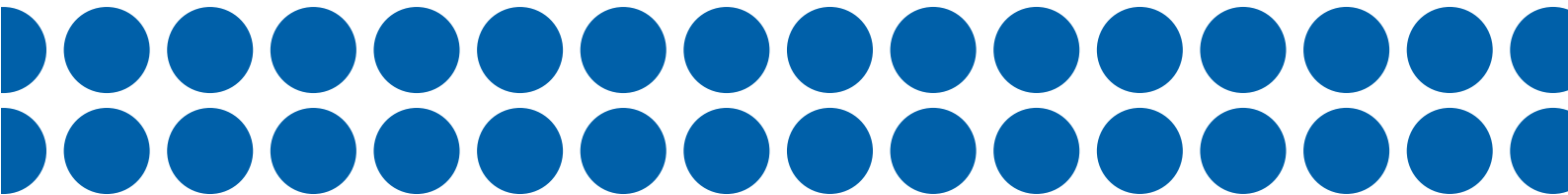
**Answer:**

The answer is half right. You cannot vote on behalf of your lot as you state you are un-financial. In respect of the proxies you can vote if the lot in respect of the proxy is financial.

**Q:** This quarter I was late in paying the levy and the owners corporation charged me interest. This is not fair. I spoke to the Strata Manager and he said he would not reverse the interest. As I have always paid my levy on time in the past why won't he do this?

**Answer:**

The legislation requires levies to be paid by the due date as determined at a General Meeting. The legislation also states that there is a one month interest free period and after this date interest is paid at 10% per annum. To reduce the interest for all owners, or in your case a particular owner, a special resolution must be passed at a General Meeting of owners. Neither the Strata Manager nor the Executive Committee can vary or reverse interest charged in accordance with the legislation.



**Q:** I am confused about the 10 year Sinking Fund Plan. Do we have to raise levies in accordance with the plan?

**Answer:**

The NSW Government introduced the requirement to have a Sinking Fund Plan to ensure owners, when considering raising the sinking fund levy, take into consideration the long term cost in maintaining the strata scheme. Whilst the requirement for the plan and its review after 5 years is compulsory, there is no requirement to raise the amount detailed in the plan.

Prudent owners corporations are adhering to the plan to avoid special levies and maintain their complex to the highest standards. This practice also ensures maximum value is obtained on the sale of the property.



# Executive Committee Seminars

**Executive Committee members are invited to attend an evening seminar, at no charge, to be held at Strata Choice St Leonards offices.**

The presentation, delivered by the company education Consultant will provide participants with information regarding:

- Meeting conduct;
- The duties and obligations of the Executive Committee;
- The powers of the Owners Corporation;
- The role of the Strata Managing Agent; and
- Issues relating to risk management for Owners Corporations.

**Yes I am interested in receiving**

**EC Seminar dates**

Name.....

Strata Plan Number.....

Email address.....

Phone.....

**stratachoice**

If you would like to attend an Executive Committee Education Seminar please direct your request to

**education@stratachoice.com.au**