

Professional Managed Condominium Corporations

Condominium Management combines elements of Art and Science with attributes of innovation and experience. Condominium corporations created under the Corporations Act and the Condominium Act may be commercial, residential, or combined entities that operate as for-profit, not-for-profit, or non-profit ventures. Condominium Corporations face complex management and operational prerogatives, constantly changing economic variables and dynamic social and political influences. A typical 150-unit four-story condominium can easily exceed \$100 million in capital assets with an annual operating budget over \$1.5 million. Regardless of good intentions and well-meaning efforts managing a Condominium corporation requires a structured business model and adherence to proven business methods to be successful. The success of Condominium Corporations is commensurate with, and limited by, the knowledge and experience of the individuals serving as Board members. Having multiple jurisdictions presents challenges to management and governance and Neither the Corporations Act or the Condominium Act require members of a Condominium Board to hold professional credentials or demonstrate proficiency or experience in the office they serve. Whether, or not, Board members hold professional designations they have a fiduciary duty and a duty of care to the Corporation and its owners to ensure the viability and sustainability of the Corporation while safeguarding owner's equity.

Condominium Boards serve the Corporation on behalf of the Owners and are accountable to the Owners for mutually beneficial management of the Corporation. Successful Condominium Corporations are well managed and have directors with valid professional designations; however, many condominium boards have volunteers with no professional designations or valid experience and while some volunteer boards succeed many others fail. Members of Condominium Boards frequently lack requisite knowledge and experience to evaluate and select the best course of action, the critical skills essential to direct and influence their executive and operational mandate, and the ability to effectively communicate corporate financial and operational data to stakeholders. Serving the best interest of the Corporation often presents irreconcilable differences between personal preferences, community objectives, political agendas, and socially acceptable edicts. Deriving the best course of action, facing competing risk factors, liabilities, costs, return on investment, and corporate social responsibility, elicits debate and inevitably creates divides among Board members and members of the condominium community. Being an effective and responsible Board member goes beyond doing the best you can, and it does not ensure everyone will agree or support initiatives and decisions made; however, it does mean that the best interest of the

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corporation has been served. A functioning and collaborative Board of Directors can make correct and logical decisions and still fall short of achieving a positive outcome for the Corporation or its owners.

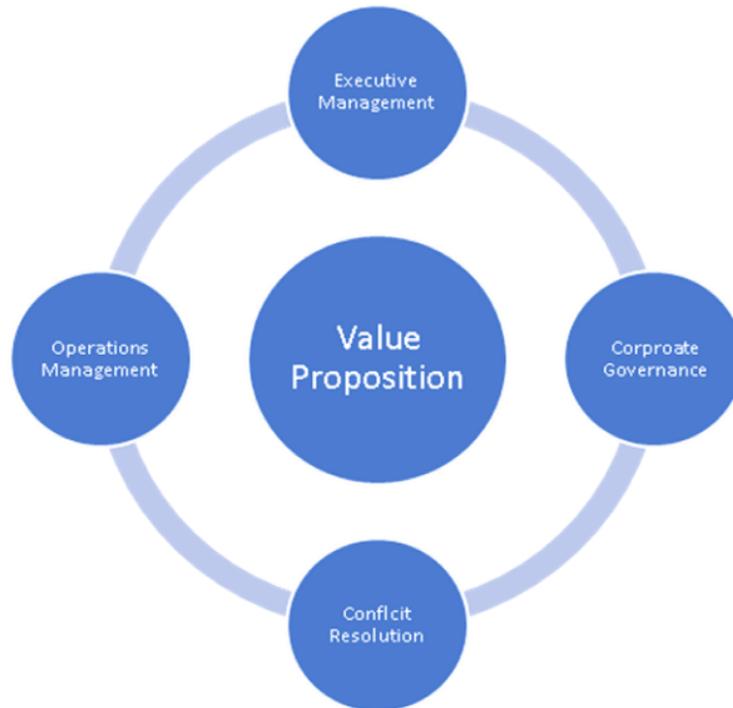
Service and maintenance contracts, as well as renovation and restoration projects, without a specified scope of work and proper supervision can quickly morph beyond the original intent to include discretionary and non-essential optional items. With tens of millions of dollars in combined assets and annual operating revenues combined with the decision makers who lack essential knowledge and experience, Condominium Corporations often attract aggressive and unethical individuals who promote, sell, and perform services that are not related, not required, or not essential or critical to the operation of the corporation. The Condominium Act provides that Condominium Corporations may be self-managed or may enlist the services of a Property Manager to assist the board in planning and executing actions on behalf of the corporation. Many Boards recognize their collective limitations and enlist the services of a Property Management Company to advise and serve as agent for the Corporation. Without impartial and judicious consultation Boards may inadvertently delegate authority to Property Managers motivated by incentives from service and maintenance providers, or Property Managers who lack the experience and resources to accept the challenge of managing a multimillion-dollar corporation.

Transparency and effective communications are essential to preventing covert conduct contrary to provisions of the Condominium By-Laws and the Condominium Act, which serve to increase owner liability and diminish owner's equity. Self-focused and adversarial board members, unmindful of their negative impact on the corporation often use covert and unethical tactics to discourage a qualified individual from seeking a board position. Due to ineffective leadership the focus on beneficial Corporate goals is averted by individual posturing, aggressiveness, and non-productive behaviour. Board members elected or appointed to vacant positions face individual agendas that conflict with Corporate objectives preventing them from discharging their Corporate duties. Lack of transparency and the use of censored communications to control community dialogue prevents owners from learning and making informed decisions. Ineffective leadership to properly manage, mitigate, and resolve operational issues and interpersonal conflicts creates openings through which opportunists disadvantage the Condominium Board and the Condominium Community. Owners inevitably pay for ineffective Board decisions with little recourse for mitigative or corrective input. Lack of external agencies to provide regulatory oversight or the enforcement to correct questionable business decisions and inappropriate behaviour by Board members creates frustration and vulnerability among owners, many on fixed incomes, who have little option other than watch the value of their investment along with their disposable income diminish.

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To be successful Condominium Corporations must have business objectives that reflect their Core value proposition and a strong business model. An effective business model will have Corporate Governance, Executive Management, Operations Management, and Conflict Resolution acting as integrated and functional components to enhance the core Value Proposition. The key link between each of the five components is transparent and effective communications.

Figure 1: Business Model for Professional Managed Condominium Corporations



With a successful business model in place Condominium Boards, with limited knowledge and experience, can enlist a Chartered Manager, to attend Board Meetings, and advise in areas of Corporate Governance, executive Management, Operations Management, and Conflict Resolution. Utilizing a Chartered Manager to augment depth and functionality will elevate the performance and effectiveness of the Condominium Board in achieving its short-term and long-term objectives. The Chartered Manager, while acting on behalf of the Corporation, will focus on identifying the best course of action, while recognizing cultural nuances of the Condominium community and will remain unrelated and impartial in evaluating the effectiveness of management and operations and in making recommendations. The role of the Chartered Manager is to advise on actions that benefit the viability and sustainability of the corporation while enhancing the corporations core value proposition.

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A condominium community that shares knowledge and experience and works toward achieving a common value proposition creates successful measures to ensure its value proposition endures, expands, and adapts as the community grows. The value proposition is inherent in the Condominium community, made transparent by productive and inclusive communication, and demonstrated by positive community engagement aimed toward long-term viability and sustainability. Communicating the core value proposition to new owners entering the community and embracing equity and diversity inherent in a multicultural social construct promotes a stronger and more viable Condominium Corporation.

Enlisting a Chartered Manager, to act in an advisory capacity on behalf of the Corporation in planning and implementing management and operational initiatives, creates a Professional Managed Condominium Corporation. In a Professional Managed Condominium Corporation, the Condominium Board remains responsible for the primary executive functions of the Corporation, President, Vice President, Treasurer, and Secretary, and retains operational control of the Corporation. The Condominium Board retains signing authority for all operational transactions and administrative authority over reserve fund capital investments and expenditures. In addition, the Condominium Board appoints from one to three directors charged with community relations, communications, and dissemination of information. (See Table 1: The Professional Managed Condominium Corporation). For functionality, the number of board members should be either five or seven members. Together the Chartered Manager and the Condominium Board will ensure all activities are completed in a timely and cost-effective manner, with minimal liability and maximum efficiency.

The Chartered Manager will ensure the Condominium Board performs its Fiduciary Duty and Duty of Care to the Corporation and to the Owners. The Chartered Manager will perform its function by conducting ongoing management and operational assessments, ensuring transparent communication among board members and condominium owners, and providing on-the-job-training for board members to increase their knowledge, understanding, and ability to perform their duties. Until board members become confident in their ability to govern effectively, the Chartered Manager may provide interim management and operational support; however, signing authority will remain with appointed or elected Condominium Corporation directors.

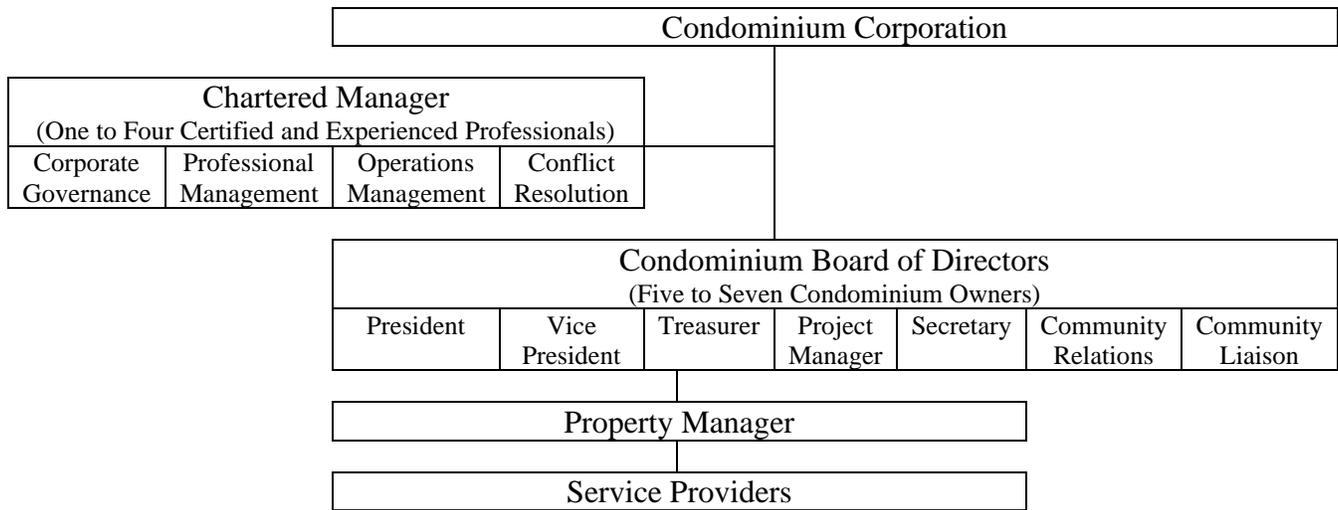
The combined role of the Chartered Manager and the Condominium Board will define leadership styles and management prerogatives that reflect the needs of the corporation and the condominium community. The Condominium Act and provisions of Condominium By-Laws provide a basic overview

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of roles and responsibilities for Condominium Board members; however, do not extend to aspects of condominium culture or core value proposition. Leadership styles and management prerogatives are pervasive and not always mutually beneficial in effect and when inconsistent with corporate culture are ineffective at best.

Professional Managed Condominium Corporations are not intended to provide regulatory oversight of Condominium Board members; however, having a Chartered Manager representing the Corporation, creates an arbiter through which owners may voice concerns.

Table 1: The Professional Managed Condominium Corporation



Management plans must be integrated and reflect strategic corporative objectives and while short-term plans are more easily realizable, they must form strategic milestones for building and underscoring long-term objectives. A Reserve Fund Study provides an assessment of life expectancy of capital reserve items and presents an estimate of replacement costs; however, a reserve fund study is a preliminary step in developing a management plan. Condominiums that implement a management strategy, based on a reserve fund assessment, should consider developing two three-year management plans with one year overlap in implementation to evaluate the strategy and react to unforeseen limitations. The role of the Chartered Manager and the Condominium Board is to develop a Reserve Fund Management Plan that builds on the Reserve Fund Study, by dividing the reserve fund into two definitive categories, Capital Asset Replacement items and Capital Asset Preventative Maintenance items, and by creating value added services by optimizing resources and project management, minimizing time spent on contractor bid and selection, reducing costs for mobilization and demobilization of equipment, and by realizing a positive outcome in a timely manner.

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Financial stability is key to Corporate viability and a primary element of condominium management which is subject to a broad array of challenges from the corporation and from external variables. The Condominium Act and Condominium By-Laws stipulate the collection of condominium fees, from owners, to cover the Corporations monthly and annual operational costs. Condominium Owners holding larger units will usually pay more in monthly condo fees than condominium owners with smaller units, no parking stalls, and no storage lockers. The combined role of the Chartered Manager and the Condominium Board is to prepare a detailed and accurate operating budget, based on actual expenditures and industry norms, with focus on optimizing efficiencies and maximizing value added.

Most residential condominiums are not-for-profit or non-profit corporations and usually do not collect fees beyond those needed to cover the actual operating budget; however, unforeseen circumstances require emergency actions, the allocation of reserve funds, or need to raise funds to cover costs. Interruptions in operations due to inability to make timely decisions, or slow response by property managers to requests for service calls, can greatly increase the impact of a minor mechanical equipment failure, utility service interruption, or water leak, leading to a costly insurance claim. Depending on the magnitude of the emergency, degree of emergency preparedness, the ability of the community to identify and mitigate risk, and the ability of the Condominium Board to mobilize resources in an emergency, the amount of risk to the Corporation and to owners can vary from minimal to extreme and carry significant long-term financial burden for owners. The combined role of the Chartered Manager and the Condominium Board is to engage in planning, developing, and implementing preventative strategies for identifying and responding to emergency situations with a primary focus on mitigating risk and reducing adverse effects to Corporation Capital assets and owner's equity.

A Condominium Board may elect to self-manage or select a Property Management Company to manage routine condominium building and maintenance operations. While Property Managers provide services to and on behalf of Condominium Boards, and have a fiduciary duty to the Condominium Corporation, they primarily work for Property Management Companies that are profit driven. While many Property Management Companies are excellent at balancing their fiduciary duty to the Corporation with their individual business objectives, there are Property Managers who take advantage of divisions among board members to advance for-profit business agendas detrimental to the corporation. With millions of dollars at stake, it is imperative to select a Property Manager that has credentials and experience and a demonstrated commitment to performing its fiduciary duty while providing value added services. The role of the Chartered Manager and the Condominium Board is to supervise the Property

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Manager to ensure the services recommended and provided meet with expected and contractual commitments and serve the best interest of the Corporation.

Creating a Professional Managed Condominium Corporation elevates the efficiency, effectiveness, and performance of Condominium corporations. In a Professional Managed Condominium Corporation, the Chartered Manager and the Condominium Board evaluate existing operational protocols and identify fundamental prerogatives to develop and implement measures to position the Corporation for long-term viability and sustainability by achieving the eight primary objectives of a Professional Managed Condominium Board (see Table 2). By combining knowledge, skills, and experience, the Chartered Manager and the Condominium Board create and implement a successful and resilient business model for the benefit of all stakeholders.

Table 2: Eight Primary Objectives of a Professional Managed Condominium Corporation

Objective 1	Corporate Strategy	Primary Focus
Chartered Manager, Chartered Administrator, Corporate Governance Professional, Professional Property Manager, Professional Accountant, Corporate lawyer		Short and Long-Term Strategic Planning Assets, Liabilities, Shareholder Equity, Financial Risk Assessment, Strengths, Weaknesses, Opportunities, and Threats, Quantitative Strategic Planning, Liability and Criticality Analysis
Objective 2	Structured Management	Primary Focus
Chartered Manager, Chartered Administrator, Corporate Governance Professional, Professional Property Manager		Management Structure, Imperatives, and Short-Term and Long-Term Philosophy, Management Roles, Responsibility, Accountability, Succession Planning, Training, and Community Engagement
Objective 3	Optimized Operations	Primary Focus
Chartered Manager, Professional Property Manager, Mechanical Engineer, Electrical Engineer, Structural Engineer, HVAC Professional, Principal Contractor, Professional Reserve Fund Analyst		Management Team Assessment, Knowledge, Skills, Experience, Learning Objectives, Equipment Status, Installation, Service Life, Operation, and Maintenance Service Contracts, Reserve Fund Assessment, Reserve Fund Preventative Maintenance Plan
Objective 4	Financial Stability	Primary Focus
Chartered Manager, Professional Accountant, Professional Property Manager, Financial Advisor, Investment Portfolio Manager		Reserve Fund and Portfolio Assessment Operating Revenues and Expenses, Project Funding, Emergency Funding Reserve Fund Management Plan
Objective 5	Logistics Deployment	Primary Focus
Chartered Manager, Professional Accountant, Professional Property Manager, Corporate Governance Professional, Personal Safety and Emergency Responder		Communication Objectives and Structure, Site Access and Security, Administration of By-Laws, Collection of Monthly Fees and Special Levi's, Aged Payables, and Aged Receivables, Document Creation, Maintenance, and Distribution
Objective 6	Project Management	Primary Focus
Chartered Manager, Professional Property Manager, Corporate Lawyer, Contract Lawyer, Principal Contractor, Project Manager		Project Selection, Detailed Scope of Work, Supervise Bid Process, Preparing Service Contract Project Management, Site Supervision, Completion Reports

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Objective 7	Emergency Preparedness	Primary Focus
Chartered Manager, Professional Property Manager, Safety and Emergency Responder, Site Specific Training Professional, Condominium Community Liaison		Fire, Flood, Theft, Threat to Life and Property Preparedness, Effective Alert, Alarm, Emergency Response, and Mitigation Protocols, Assessment of Community, Knowledge, Skills, Experience, Mobility, Training and Learning Objectives
Objective 8	Provisional Management	Primary Focus
Chartered Manager, Chartered Administrator, Corporate Governance Professional, Professional Property Manager, Professional Accountant, Professional, HVAC Professional, Principal Contractor		Daily Operations, Organizational Restructuring, Selecting and Training New Board Members, Condominium Management Company, Utility Maintenance, and Operation Contractors, Maintenance of Common Property, Interim Operating Loan

About the Author

Dr. Jago is a Chartered Manager, Corporate Governance Professional, and Certified Arbitrator who currently serves as President and General Manager of SBE Management Inc. Dr. Jago received his Doctor of Business Administration in Management Sciences in 2011 and completed his Master’s in Business Administration with major concentrations in Executive Management and Management Consulting in 2005.

Over forty-nine-years Dr. Jago served nineteen years providing management consulting services to small and medium sized businesses with focus on strategic and sustainable initiatives in areas of general management, operations management, and project management. Dr. Jago served fifteen years in building utilities management, operations, and maintenance, as well as building construction, commissioning, demolition, and remediation. For fifteen years, Dr. Jago served as a Classroom Instructor in Business Management and Engineering Technologies where he developed and delivered courses in Organizational Theory, Business Strategy, Sustainability, Leadership, Project Management, as well as Building Systems and HVAC equipment design and operation.



Dr. Jago’s belief in beneficial leader follower relationships, values-based management, extensive business consulting, academic, and operations experience, and personal commitment to lifelong learning provides a unique blend of credentials and practical understanding essential to the evolution of Professional Managed Condominium Corporations.