



The Board Member Tool Kit

The Board Member Tool Kit

A GUIDE FOR COMMUNITY ASSOCIATION VOLUNTEER LEADERS



ABOUT CAI

Community Associations Institute (CAI) is a national organization dedicated to fostering vibrant, competent, harmonious community associations. For more than 30 years, CAI has been the leader in providing education and resources to the volunteer homeowners who govern community associations and the professionals who support them. Our members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to associations.

ABOUT CCAV

CAI recognizes that volunteers ultimately are responsible for building community, meeting the expectations of neighbors and protecting property values. For this reason CAI has created the Center for Community Association Volunteers (CCAV), a specialized member group committed to providing the information and support you need to be a more effective, efficient, and respected leader. CCAV provides the customized products, services and expertise you need to be successful in your community. As a volunteer leader member of CAI, you are automatically enrolled in CCAV at no additional cost.

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This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is published with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.—From a Declaration of Principles, jointly adopted by a Committee of the American Bar Association and a Committee of Publishers

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Introduction

Welcome to CAI. Whether you manage the association yourself or have the assistance of professional management; whether you're on the board of a condominium or homeowner association or a cooperative; and whether your association comprises just a handful of homes or thousands of homes in a large-scale community—joining CAI can do more to ensure your success than just about anything else you can do.

DID YOU KNOW?

- **You're part of the leadership team of a corporation.** Your association is a corporation; and, although you're not running Microsoft or AT&T, you're still a corporate board member, responsible for running a business. Your investors are your association members, and you're responsible for maximizing the return on their investment—their homes.
- **You're an elected official.** Your association likely provides some services that traditionally were provided by local government. That makes you similar to a town council member (or the mayor, if you're the president), responsible for ensuring that services are provided and that rules are appropriate and fairly applied. Your citizens are—again—your association members, and you're responsible for maintaining and enhancing their quality of life.

■ **You're a leader.** Your association is a neighborhood like a family. That makes you a parent, cheerleader, role model, social director—in short, a community builder. Your members are your neighbors, and you're responsible for their civic well-being.

That's a lot of responsibility, and we're here to support you. Our mission is to help you not only succeed, but to achieve success with a minimum amount of anxiety and angst. Hopefully, we can even help you enjoy the experience. That's why we're providing you this free overview of what you need to know. It's just the beginning; and we trust it will lead you to the information, tools, and resources you need to be a successful and respected leader.

Most of the sample forms, checklists and notices in this Tool Kit are available to CAI members at www.caionline.org/members. There you can download the documents and, in most cases, customize them for your association. See the Appendix for more information about accessing these services online.

Be sure to take advantage of all that CAI has to offer. We know we have a lot awaiting you, so we've tried to catalog and simplify those offerings in the Appendix: "How to Get the Most from Your CAI Membership."

This Tool Kit is just one of the resources that can help you be a successful and respected leader. If you can't find what you need in this guide, call us toll-free at (888) 224-4321 (M–F, 9–6:30) and we'll be happy to help you.



Governing Documents

Few people like fine print or red tape, but there are several important documents board members need to be familiar and comfortable with. Collectively, they're called governing documents. Depending on the type of association you live in, individual documents will differ. Each is a very useful tool that will provide specific guidance.

WHY ARE GOVERNING DOCUMENTS IMPORTANT?

- They give boards the authority to govern by providing for the operation and regulation of the association.
- They provide guidance and protect boards.
- They protect association members by spelling out their rights and responsibilities.
- They are supported by local ordinances, state statutes, and federal regulations.

Governing documents will provide the structure within which the board can work effectively, they'll guide board decision making, and support association operations. Their greatest value, however, may lie in the protections they provide to board members.

Community association governing documents typically include several items in descending order of authority.

- Declaration or master deed, including Covenants, Conditions & Restrictions, or CC&Rs (in condominiums and planned communities)
- Proprietary lease, master lease, or occupancy agreement (in cooperatives)
- Articles of Incorporation
- Bylaws
- Rules and Regulations

THE DECLARATION

The Declaration (or Master Deed) contains the CC&Rs that regulate resident behavior. They bind all the owners to the association, establish association responsibilities, and define owners' rights and obligations. (In cooperatives, this document is called the proprietary lease or occupancy agreement.)

ARTICLES OF INCORPORATION

Articles of Incorporation initially create the corporation under state law and define the association's basic purposes and powers. They may specify such things as the number of directors, terms of office, and other specifics about how the board functions. (In some states, condominium and planned community associations are not legally required to incorporate, and these may have articles of association.)

BYLAWS

Bylaws contain provisions concerning actual association operations, such as meetings, procedures for electing the board members and officers, and general duties of the board. Sometimes the bylaws cover the same topics as the declaration.

RULES AND RESOLUTIONS

Boards adopt rules and regulations. They must be consistent with the declaration or proprietary lease, the bylaws, and state law. Rules are usually recorded at a board meeting in the form of a motion called a policy resolution. Making and enforcing rules are important responsibilities for boards that must be undertaken with care. See section 15 for more information.

In addition to policy resolutions, boards will also adopt administrative, special, and general resolutions. These resolutions specify how the association should operate. Board members should familiarize themselves with all association resolutions along with the other governing documents.

The Four Types of Resolutions

1. **Policy resolutions** affect owners' rights and obligations.
2. **Administrative resolutions** address the internal operations of the community association.
3. **Special resolutions** record board decisions that apply a policy to an individual situation.
4. **General resolutions** record board decisions regarding routine events.

TOOL 1.1–1.2: See the Sample Resolutions at the end of this section.



Cautions

The distinction between areas that are owned separately and areas that are owned in common is the cause of much misunderstanding in community associations. It's important to understand the differences based on the information in the governing documents.

Association governing documents must not conflict with federal regulations, state statutes, or local ordinances. It's important to have your association governing documents reviewed by the association attorney to ensure that they do not conflict.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Introduction to Community Association Management, Governance, and Services, Guide for Association Practitioners #1, by Clifford J. Treese. (Community Associations Institute, 2002.)

Condominium and Homeowner Association Practice: Community Association Law, 3rd Ed., by Wayne S. Hyatt. (American Bar Association, 2000.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Policy Resolution

WHEREAS, Article _____ of the declaration of covenants, conditions, and restrictions of the _____ association creates an obligation for payment of assessments; and

WHEREAS, Article _____, Section _____ of the declaration charges the board with setting the annual general assessment rate sufficient to meet the obligations imposed by the declaration; and

WHEREAS, it is the intent of the board of directors to establish such an assessment rate for fiscal year _____;

Now, therefore, be it resolved that the annual general assessment for fiscal year _____ shall be fixed at _____ dollars (\$_____).

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ATTEST:

Date_____President _____

Corporate Seal

Sample Administrative Resolution

WHEREAS, Article VII, Section 1 (d) of the declaration of covenants and restrictions grants the board of governors powers “to exercise for the association all powers, duties, and authority vested in or delegated to the association herein or in the articles of incorporation or bylaws of the association and not reserved to the membership;” and

WHEREAS, Article VIII, Section 8 of said declaration establishes the remedy for default in payment of assessments, and

WHEREAS, there is a need to establish orderly procedures for the collection of assessments that remain unpaid past their due date since delinquent assessments post a serious financial and administrative burden on the association, and

WHEREAS, it is the intent of the board to establish steps for the collection of delinquent assessments;

Now, therefore, be it resolved that the procedures for collection of delinquent assessments be as follows:

1. Each monthly assessment is due and payable on the first day of each month and is delinquent on the fifth day of the month.
2. Delinquent accounts not paid by the tenth day of the month will be assessed a ten dollar (\$10) late charge.
3. In the case of payments that are delinquent for 30 days or more, owners will be sent a “Ten Day Notice of Lien.” If the amount that is delinquent plus late charges is not received in the 10 day notice period, a lien upon the delinquent unit will be filed as provided in said Article VIII, Section c. Such lien will include interest at 10 percent per annum, a \$50 administrative cost and reasonable attorney’s fees. A copy of the notice of lien will be sent to the unit owner and the holder of the first deed of trust of record.

BOOK OF MINUTES # _____, page _____

Date adopted: _____



The Role of the Board

Community associations are unique entities, and the boards that lead them fill unique roles.

- Community association boards consist of officials elected to represent and protect the best interests of their constituents.
- Community associations are corporate entities whose board members must maintain the value of a jointly owned asset.
- Community associations are social entities—neighborhoods of people who expect the board to preserve, if not improve, their quality of life.

Ultimately, the role of the board is to protect and increase property value. This is accomplished by operating the association, maintaining the common property, and enforcing the governing documents.

Qualities of a Good Board Member

A Strong Board Member

- Good character
- Strong integrity
- Calm judgment
- Willingness to serve
- Committed to the best interests of the community as a whole
- Relevant experience or background
- Previous volunteer service
- Strong “people skills”

A Weak Board Member

- Unable to put the welfare of the community first
- Works behind the board to run things his or her way
- Impulsive or quick tempered
- Has a personal or hidden agenda
- Puts individual interests first
- Little or no experience in management, leadership, or service
- Unable to work with others for the common good
- Ineffective with others

How do you succeed with such a challenging assignment?

Put your personal preferences and circumstances aside.

When you make decisions as a board member, you have an obligation to work in the best interest of the entire community, regardless of how they affect you personally.

Educate yourself. Part of learning how to be a good board member will come from trial and error; but, you can reduce the errors and the time it takes you to get up to speed by attending seminars, reading books, networking with community association board members, asking questions of your manager, accountant, or attorney, downloading free materials from the web, and much more. [See the Appendix for a detailed list of educational opportunities and resources.]

Know the difference between the roles of the board and the manager. Boards set policy and make policy decisions. Managers implement the board’s directives and take care of operations.

Stand united. Once the board makes a decision, stand behind it and make every effort to see it succeed—even if you voted against it.

Don't allow personality differences to interfere with the work of the board. Be cooperative, positive, and make every effort to stay focused on the needs of the community.

Be reasonable. Although boards have a big responsibility, they needn't be over zealous or inflexible to fulfill it. Avoid snap decisions, act rather than react, and deal with real problems, not nuisance situations.

Boards vary in size, but most comprise five to seven elected homeowners. Among themselves they appoint officers, of which the three primary positions are president, secretary, and treasurer. (Each of these officer roles is explained in more detail in the following sections.) Decisions are made by the board as a group, not by individuals or by officers.

WORKING WITH COMMITTEES

Boards can't always accomplish everything that needs to be done—particularly in large communities. That's when committees of residents become especially valuable. There are two types of committees.

Ad hoc committees:

- Task oriented
- Disband when the task is completed

Standing committees:

- Function oriented
- Remain in force indefinitely

The duties of a committee vary from one community to another, depending on what the task is, when it should be completed, how many and what kinds of recommendations the board wants from the committee, and how much authority the committee has been given by the board. Boards should develop a set of clearly articulated guidelines for the structure, function, and responsibility

of each committee. In addition, there are steps boards can take to promote a committee's success:

- Form a new committee only to meet a specific need.
- Act on committee recommendations.
- Recognize committee chairs and committee members for their time, efforts, and contributions to the community.

BUILDING COMMUNITY

The role of the board is as much about building the social and civic well-being of the community as it is about maintaining common areas or enforcing rules. To do this, a board must:

- Provide leadership and inspiration, not merely administration.
- Instill a sense of caring, civic pride, and shared responsibility in all residents.
- Position the association as a wellspring of resident volunteerism in community-related activities, both inside and outside the association's boundaries.
- Transform housing units into vibrant neighborhoods and communities.

How to Be a Community Builder

- Maintain perseverance and determination.
- Set a tone that is light-hearted and fun.
- Collaborate with the community at large.
- Help others in need.
- Build community traditions.

By placing an emphasis on community, boards transcend the legalistic nature of their governing documents. Thus, efforts to build a sense of community tend to reduce the number of administrative issues such as rules violations and delinquent assessments.



Cautions

Being selected to a leadership position can give some people a false sense of importance. It's important for board members to remember that they have a serious responsibility to serve the community, not their egos.

Telling a professional manager how to do his or her job is a waste of the manager's expertise and the association's money. It's important for boards to focus on setting policy and leave the implementation of those policies to the manager.

Don't assume residents are satisfied if they're not showing up for community meetings or casting votes for board positions, or that they're content because the association isn't hearing any complaints. It's important to understand that resident apathy is not a good thing.

Protect yourself from board burnout. Recruit volunteers in your community to serve on committees to accomplish some of the work required.

TOOL 2.1: Take the Board Burnout Test on the next page to make sure you stay a healthy board member!



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Introduction to Community Association Management, Governance, and Services, Guide for Association Practitioners #1, by Clifford J. Treese. (Community Associations Institute, 2002.)

Building Community: Proven Strategies for Turning Residents into Neighbors. (Community Associations Press, 2005.)

Community Association Leadership, a Guide for Volunteers. (Community Associations Press, 2002.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

The Board Burnout Test

- | | | |
|---|------------------------------|-----------------------------|
| 1. Do you find it difficult to fall asleep at night, even though you feel tired much of the time? | ☐ YES | ☐ NO |
| 2. Do you often fall asleep at board meetings? | ☐ YES | ☐ NO |
| 3. Is your blood pressure too high? Does your back ache? Is your stomach chronically upset? | ☐ YES | ☐ NO |
| 4. Have you given up hope that anyone will ever show appreciation for your work? | ☐ YES | ☐ NO |
| 5. Are your concerns about your community association interfering with your employment? | ☐ YES | ☐ NO |
| 6. Are you solving homeowners' problems, but letting your personal life fall apart? | ☐ YES | ☐ NO |
| 7. Do you often feel that the homeowners are out to get you? | ☐ YES | ☐ NO |
| 8. Do you believe that you had better get them before they get you? | ☐ YES | ☐ NO |
| 9. Have you requested an unlisted phone number due to homeowner calls? | ☐ YES | ☐ NO |
| 10. When a homeowner greets you, do you question his/her ulterior motive? | ☐ YES | ☐ NO |
| 11. If you make a mistake, do you usually find someone else to blame? | ☐ YES | ☐ NO |
| 12. Are open meetings a source of anxiety and stress for you? | ☐ YES | ☐ NO |
| 13. Do you frequently "tune out" what other people are saying? | ☐ YES | ☐ NO |
| 14. If your ideas are challenged, do you "lose your cool"? | ☐ YES | ☐ NO |
| 15. Have you developed an "I don't really care" attitude? | ☐ YES | ☐ NO |
| 16. Do you spend most of your time at social functions discussing association business? | ☐ YES | ☐ NO |
| 17. Do you try to avoid social functions out of fear that homeowners may seize the opportunity to complain? | ☐ YES | ☐ NO |
| 18. Do you envy homeowners who have more free time than you? | ☐ YES | ☐ NO |
| 19. Are you convinced that you are the only board member doing any work? | ☐ YES | ☐ NO |
| 20. Do you often wonder why you ran for the board in the first place? | ☐ YES | ☐ NO |

TOTAL

_____ YES _____ NO

If your "yes" responses outnumber your "no" responses, you may be burned out.



The Role of the President

Community association presidents are required to fulfill many roles, but the primary roles are leader and manager. Different situations will determine which role the association president assumes. Sometimes the president must set aside other roles, such as neighbor or friend, to accomplish a task or make a decision.

Association presidents gain their authority to lead a community association from state law—generally called the Common Interest Ownership Act. The president should have a basic understanding of the law pertaining to community associations, as well as the association’s governing documents—the declaration (also called Covenants, Conditions, and Restrictions—CC&Rs), bylaws (which address the association’s structure, the board, the officers, definition of a quorum, ability to enter into contracts, etc.), and the rules and regulations (the operational and behavioral laws that apply to association residents). Therefore, presidents must perceive the association as both a community and a business, as well as operate on the democratic principles of government.

OVERSEE OPERATIONS

Association presidents must adhere to budgets, formulate and enforce rules and policies, conduct meetings, prepare agendas, and work with committees.

SPEAK FOR THE BOARD AND ASSOCIATION

The president is the official spokesperson for the board—to association members, the community manager (or management company), vendors, the press, and the greater community.

SEEK KNOWLEDGE

Learning how to be president of a community association generally comes from on-the-job training. However, educational resources for association volunteers are available in books, seminars, periodicals, and networking offered by groups that serve common-interest communities, such as Community Associations Institute and its chapters.

WORK WITH VOLUNTEERS

The president is the *leader of the board*, a body that typically includes:

- The vice president—who substitutes for the president in his or her absence
- The secretary—the official recorder of the association's activities
- The treasurer—the chief financial officer of the association

It's in the president's best interest to encourage the officers' participation in association affairs and to develop their skills as team members. The president should also attempt to identify and train potential association leaders, encourage them to join the board, and orient them to their new responsibilities.

TOOL 3.1: *Use the New Board Member Orientation Checklist at the end of this section to plan your orientation.*

WORK WITH PROFESSIONALS

Many associations employ either a community management company or a professional manager who directs association operations based on policy set by the board. The president is the liaison between the manager and the association.

Seeking the services of an attorney, architect, or insurance professional is in the best interests of the association. Experts provide information and expertise that board members don't normally have. For example:

- Reviewing legal contracts requires advice from an attorney.
- Managing reserve funds requires guidance from an accountant or investment advisor.

PROTECT THE ASSETS

Board members (and, in particular, the president and treasurer) have a fiduciary obligation to protect the community association by:

- Preparing and adhering to an association budget (with the assistance of the professional manager) that reflects the values and wishes of the members.
- Adequately funding reserve accounts and educating homeowners about the value and purpose of a reserve fund.
- Collecting fees from homeowners.
- Seeking the advice of a certified insurance specialist and protecting the association with appropriate levels of insurance coverage.

The position of association president is not for everyone, but fortunately every president has a board from which he or she can draw support. As long as the members recognize the importance of the community that unifies them, the role of president can be very satisfying.



Cautions

Working cooperatively with the board is essential to the success of the association. Heavy-handed or independent action by a president can put the entire association at risk.

Presidents must educate themselves on the nature and scope of their obligations. Well intentioned but uninformed actions by a president can threaten a community's economic and social stability.

The president must adhere to and enforce rules. Arbitrary or inconsistent application of rules weakens the association's ability to enforce them.

The president must see that the association's insurance is adequate and appropriate. Federal and secondary mortgage agencies will not fund mortgages in the community otherwise, and this will affect property values.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

The Board President: Roles and Responsibilities in Community Associations, a Guide for Association Practitioners. (Community Associations Press, 2005.)

Community Association Leadership, a Guide for Volunteers. (Community Associations Press, 2002.)

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New Board Member Orientation Checklist

- ☐ Schedule orientation before the member's first board meeting.
- ☐ Provide a roster of key association contacts (leaders, managers, vendors, etc.).
- ☐ Explain important relationships between the board and the manager, vendors, employees, attorney, etc.
- ☐ Provide and explain association governing documents.
- ☐ Provide meeting minutes and financial reports for the previous six months.
- ☐ Explain the function and current projects of each committee.
- ☐ Explain the goals of the board and how the board functions.
- ☐ Emphasize the importance of participating with and supporting the board.
- ☐ Encourage the new board member to attend board member education seminars run by your local CAI chapter or take a free course online at www.caionline.org/about/homeowner_education.cfm.



The Role of the Secretary

The association secretary is responsible for preserving the association's history, maintaining its records, and protecting it from liability. The secretary should be efficient, well organized, and have a commitment to the future of the association. Associations with a professional manager can ask the manager to perform some of the secretarial tasks.

TOOL 4.1: *Use the Sample Resolution to Establish a Secretary Position to help your association create the position.*

RECORD MINUTES FOR ALL ASSOCIATION MEETINGS

- Board meetings
- Special meetings
- Annual meetings
- Committee meetings

GUIDELINES FOR RECORDING MINUTES

- Record the association's actions and record why they were taken.
- Preserve board members' voting records.
- State the authority by which directors take a certain action and cite the documents granting that authority.

- Record all matters brought before the board, whether adopted, dismissed without discussion or vote, rejected, deferred, tabled, or simply presented as information.
- Remember that the association's minutes are official records and admissible as evidence in a court of law.

USE STANDARD LANGUAGE FOR RECURRING FUNCTIONS

Certain functions occur frequently in all meetings. Recording these will be easier if the secretary develops standard language to cover functions such as:

- Call to order by the presiding officer
- Proof of meeting notice or waiver of meeting notice
- Presence or lack of a quorum
- Reading and approval of the previous meeting minutes
- Reading and acceptance of various reports
- Unfinished business
- New business
- Adjournment

ANNOUNCE MEETINGS AND PREPARE AGENDAS

Notifying board members and association members of meetings is required by law. How and when notice is given is typically stated in the association's governing documents.

Agendas are essential to the success not only of the meeting, but of the association as well.

MAINTAIN ASSOCIATION RECORDS

- Store and retrieve association documents as needed.
- Devise an effective filing system, and keep files safe and accessible.
- Identify and categorize all current and stored records.

- Prepare and maintain a retention schedule for document disposal.

TOOL 4.2: *Use our Sample Records Retention Schedule at the end of this section as a guide for setting up your own procedures.*

WITNESS AND VERIFY SIGNATURES

Many associations have policies to safeguard assets that require two signatures on checks or a witness to verify signatures. Generally this responsibility falls to the secretary.

MAINTAIN LISTS

The secretary is responsible for maintaining lists of all association board and committee members, officers, and members, their current mailing address, and voting percentages.

VERIFY PROXIES

The secretary accepts and verifies proxies for annual or special membership meetings, and ensures that proxies and ballots are kept in the association's records.

TOOL 4.3: *See the Sample Proxy at the end of section nine.*

FILE FORMS WITH STATE AGENCIES

The secretary is responsible for filing certain forms with state agencies. These might include employment forms, incorporation documents, and other official records of the association.

MANAGE CORRESPONDENCE

- Route correspondence to appropriate association representatives—manager, office, board member, committee chair, etc.
- Ensure that tone, form, and spelling of all association correspondence reflect positively on the association.



Cautions

How and when you give notice of a meeting has a direct impact on whether the business conducted at the meeting is legal and binding. It's important to do it right.

Not all association documents are public records. It's important to know which documents must remain confidential and which must be available to members of the association and others.

Failing to keep the membership mailing list accurate and current has legal ramifications. It's important to know why and what to do.



FOR MORE HELP

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Sample Resolution to Establish a Secretary Position

Administrative Resolution No. _____

Corresponding Secretary

WHEREAS, Article IV of the bylaws of the [name] Association empowers the board to employ such persons necessary to the efficient conduct of association business, and

WHEREAS, the efficient conduct of the association business would be augmented through the establishment of the position of corresponding secretary,

NOW THEREFORE BE IT RESOLVED THAT the board does hereby establish the position of corresponding secretary, and

BE IT FURTHER RESOLVED THAT the board shall retain the right to initiate and terminate the employment of such position, and

BE IT FURTHER RESOLVED THAT the person so filling the position of corresponding secretary shall be compensated as deemed appropriate by the board, and

BE IT FURTHER RESOLVED THAT the person so filling the position of corresponding secretary shall conduct the duties set forth under the rules and regulations governing the association, and

BE IT FURTHER RESOLVED THAT the duties and responsibilities of the position of corresponding secretary shall include, but not necessarily be limited to, the following:

- Maintain a current list of all association board members, officers, and members
- Help the recording secretary create and distribute meeting notices as set forth by the association's bylaws and declaration
- Conduct correspondence as directed by the board
- Report on and read important correspondence at regular board meetings
- Report all correspondence requiring immediate attention from a board member
- Perform tasks as directed by the board, in agreement with the duties and responsibilities listed above

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Date _____ President _____

(Association Seal)

Sample Records Retention Schedule

DOCUMENT	CURRENT FILE	STORAGE
Association Governing Documents		Permanently
Bank Reconciliation	1 year	1 year
Board Minutes	1 year	Permanently
Canceled Checks & Bank Statements	1 year	7 years
Cash Disbursements & Receipts, Journals	1 year	Permanently
Insurance Policies & Certificates of Insurance	1 year	7 years
Investment Statements & Closed Passbooks	1 year	7 years
TAXES		
State & Federal Income Tax Returns	3 years	Permanently
Real Estate Records	1 year	7 years
State and Federal Unemployment & Withholding	3 years	Permanently

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THE ROLE OF THE SECRETARY

LEGAL DISCLAIMER: Community associations are governed by state law, which can vary widely from state-to-state. Please note that the content contained in these documents is intended to be used for general educational and informational purposes only. Although we try to keep the information contained in these documents up-to-date, it may not reflect the most recent developments and it may contain errors or omissions. Community Associations Institute has not compared or reviewed these documents relative to the law in any state and does not warrant or guarantee that the contents of these documents comply with the applicable law of your state. The contents of these documents are not intended to be a substitute for obtaining advice from a lawyer, community manager, accountant, insurance agent, reserve professional, lender or any other professional.



The Role of the Treasurer

The association treasurer is responsible for maintaining the finances and ensuring the financial stability of the association. He or she is the financial voice of the board and liaison to auditors, CPAs, brokers, agents, and bankers. This includes a number of duties and responsibilities.

PREPARE THE BUDGET

The most important responsibility the treasurer has is preparing the annual operating budget.

MAINTAIN ASSOCIATION ACCOUNTS

The association's documents and bylaws specify a number of financial responsibilities that the treasurer must oversee. These may include:

- Maintaining adequate insurance coverage
- Keeping financial records
- Investing association funds
- Collecting assessments and delinquencies
- Reserving funds for future needs
- Filing income tax returns

UNDERSTAND BASIC FINANCIAL STATEMENTS

The treasurer must understand at least the basic components of the financial statement:

- Assets
- Liabilities
- Members' equity: reserves and operating fund balance

In addition, it would be advantageous to the association if the treasurer also had an understanding of the other components of the financial statement such as:

- Initial working capital
- Special project funds
- Income statement
- Statement of cash flow

REPORT TO THE BOARD

The treasurer should report at regular board meetings on the state of the association's finances based on the following information, which may be maintained and provided by the manager or finance committee:

- Balance sheet
- Statement of income
- Cash receipts and cash disbursements activity
- Unit owner balances
- General ledger activity and journal entries
- Schedule of accounts payable
- Bank statements and bank reconciliations

IMPLEMENT A RESERVE PROGRAM

Reserves are a primary responsibility of the treasurer and the board of directors. The treasurer must:

- Conduct a reserve study.
- Update the reserve study periodically.

- Develop and implement a reserve funding schedule.
- Fund the reserve accounts appropriately.

See Section 12 for more information about reserves.

SELECT A CPA AND CONDUCT AN AUDIT

Ensuring that the association is working with a qualified certified public accountant (CPA) is one of the treasurer's important duties. CPAs with community association experience are better equipped to provide the expertise you need. The treasurer should work with the CPA to perform an annual audit—a very important document for a community association, the management company, and the board. Even if your association uses the services of a CPA, or if your treasurer is a CPA, all board members—especially in self-managed associations—should have a basic understanding of community association finances.

BOOKKEEPING

In smaller, self-managed communities, the treasurer's duties may include bookkeeping.

FINANCIAL LIAISON

The treasurer is the liaison between the association board and finance committee, its subcommittees, and between the board and the members on financial matters. In addition, the treasurer is the liaison to reserve study engineers, bankers, CPAs, insurance agents, investment brokers, and auditors.

MAINTAIN RECORDS

The treasurer should make sure that important financial records are safely maintained for an appropriate time.

TOOL 5.1: *Use our Suggested Retention Schedule—Maintaining the Association's Financial Records—to determine how long to maintain your association's financial records.*



Cautions

Diverting association assets from their intended use or purpose is a very real possibility in any community association. It's important that treasurers use internal controls to prevent the misuse of association funds.

Safety and liquidity of association assets are essential to the community association. It's important for treasurers to know where and how to invest homeowner's funds to ensure their protection.

Treasurers must decide whether to file the association's income tax returns under Internal Revenue Service Code Sections 528 or 277. It's important to make the right decision—the wrong one can cost the association substantial penalties.

There are numerous important considerations when developing a community association operating budget. It's important to avoid some and include others to maintain the financial strength of the community.

Check your state's laws for specific provisions regarding audits, financial statements, delivery, etc.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

The Role of the Association Treasurer, Guide for Association Practitioners #22, by Howard A. Goldklang. (Community Associations Institute, 2002.)

Community Association Leadership, a Guide for Volunteers. (Community Associations Press, 2002.)

CAI Treasurer: Accounting Software for Self-Managed Homeowner and Condominium Associations and Cooperatives. CD or Download. (Community Associations Institute, 2002.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Maintaining the Association's Financial Records

The following list contains an approximate length of time that association records should be kept before they are discarded.

PERMANENTLY

- Audit reports
- Federal and state income tax returns
- Personal property tax returns
- Minute books
- Deeds and other property records
- Budgets

7 YEARS

- Bank statements
- Deposit tickets
- Canceled checks
- General ledgers
- Cash receipts and cash disbursements journals
- Payroll records

3 TO 5 YEARS

- Insurance policies (no longer active)
- Contracts (no longer active)
- Vendor invoices

3 YEARS

- Bank reconciliations



Working with a Professional Manager

Many associations employ either a community management company or a professional community manager to direct association operations. It's essential that you find a qualified manager with whom you can work productively. A professional association manager will help the board preserve assets, maintain property values, establish continuity, and provide assistance with operational and financial matters.

PROFESSIONAL MANAGERS—RIGHT HAND OF THE BOARD

The board sets policy and establishes a direction for the association, and the manager sees that the policies are implemented. Just a few of the ways professional managers assist boards include:

- Managing human resources: compliance with Equal Employment Opportunity Commission (EEOC) guidelines, payroll, reviews, and hiring.
- Coordinating and supervising maintenance activities: landscaping, repairs, snow removal, trash pickup.
- Alerting the board when legal assistance is needed.

- Advising the board of regulatory issues and compliance requirements: fair housing procedures, fair debt collection practices, FCC antenna regulations.
- Coordinating member/board communication: preparing a newsletter, posting notice of meetings, arranging social interactions.
- Managing office operations: accounts payable and receivable, bookkeeping, filing.
- Managing association finances: budgeting, collecting assessments, analyzing reserves, pursuing delinquencies.
- Working with accountants and auditors to maintain the association's financial viability.
- Working with insurance companies to file or settle claims.
- Working with state and regulatory agencies as an advocate for the association.
- Carrying out delegated officer duties: taking meeting minutes.
- Preparing proposals and screening contractors.

SELECT A QUALIFIED MANAGER

The association's size, amenities, facilities, and budget determine the type of management your association needs. Whether you select an on-site manager or work with a management company, it's essential that you select a qualified community association management professional. You can identify qualified managers by the credentials that indicate their level of professionalism.

Certified Manager of Community Associations® (CMCA®).

These managers have demonstrated fundamental knowledge in managing common-interest developments by passing the CMCA examination. They comply with the National Board of Certification for Community Association Managers' Standards of Professional Conduct and renew every two years through continuing education.

Association Management Specialist® (AMS®). These managers have earned the CMCA certification, passed an additional education course, and managed the finances, administration,

and facilities of an association for at least two years. They adhere to professional ethical standards and renew their AMS designation every three years through continuing education.

Professional Community Association Manager® (PCAM®).

These managers have met advanced educational requirements in law, communications, operations, and asset protection and have at least five years' experience managing community associations. They have also earned the CMCA certification and AMS designation, adhere to professional ethical standards, and renew their PCAM designation every three years through continuing education.

Large-Scale Manager® (LSM®). These managers hold the PCAM designation and have at least ten years' experience in managing community associations. They have met advanced educational requirements, adhere to professional ethical standards, and must redesignate every three years through continuing education.

Accredited Association Management Company® (AAMC®). To earn this accreditation, a management company must adhere to CAI's Professional Manager Code of Ethics, have managed associations for at least three years, have a PCAM as the company's senior manager, show that at least 50 percent of its managers hold a PCAM or AMS designation or CMCA certification, provide continuing education for its management staff, and complete other requirements.

Certified Property Manager (CPM). These managers have been certified by the Institute of Real Estate Management in property management. Importantly, a CPM does **not** signify that the manager is versed in issues of community association management.

WHERE TO FIND QUALIFIED MANAGERS

CAI's Credentialed Professionals Directory. Managers who have earned the credentials above (except the CPM) are listed online at www.caionline.org/directory/nbccam_search.cfm. In addition, you can find information explaining the importance of seeking qualified professional managers at www.caionline.org/about/designations_finding_professionals.cfm.

CAI chapter directories. Many CAI chapters maintain online or printed directories of qualified managers. A complete list of chap-

ters is available at www.caionline.org/about/aboutchap.cfm. Links are included for chapters that have websites.

Networking. Not all experienced and capable community association managers will be listed in the directories above. However, you can get recommendations on qualified managers by talking to industry professionals at local and national meetings of CAI.

INVITE MANAGERS TO APPLY

Once you've identified several potential managers or management companies, invite them to submit a proposal.

TOOL 6.1: *See Sample Invitation to Prospective Bidders at the end of this section.*

THE MANAGEMENT CONTRACT

When the association selects a manager or management company, both the board and the manager will want a contract that specifies the terms of the agreement, including:

- The parties involved in the agreement
- Documents that govern the use of management services
- Amenities serviced by the management company
- Association management duties
- Manager's communications responsibilities
- Compensation
- Terms of the agreement
- Various definitions and guidelines for dealing with potential conflicts

TOOL 6.2: *See What to Include in an Association Management Agreement at the end of this section.*



Cautions

The success of a community association depends largely on the board selecting a qualified manager or management company. It's important for boards to develop and follow a thorough selection process.

Hiring the least expensive management company is a false economy. It's important for the board to budget for quality service and the level of professional support it requires.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Choosing a Management Company, Guide for Association Practitioners #8, by Michael E. Packard. (Community Associations Institute, 2002.)

Finding the Right Professional: A Guide for Leaders of Community, Homeowner, and Condominium Associations, and Cooperatives. Free brochure available from Community Associations Institute.

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Invitation to Prospective Bidders

Dear Bidder:

The board of the Evergreen Community Association is soliciting proposals for professional community association management. Our contract form, specifications, governing documents, and the budget are attached for your consideration (or can be viewed on our website at www.Evergreen.org).

Our time line for reviewing proposals and making a selection is:

1. A joint meeting of the board and prospective firms will take place at [time and date] at the association's clubhouse located at [address].
2. Interested companies should submit a proposal no later than [date].
3. Between [date] and [date] the board will meet individually with each qualified bidder at their office to discuss the proposal.
4. On [date] the board will select a management company and sign a contract.

Should you desire to submit a proposal, we would appreciate receiving the following data and information with your proposal:

1. Information regarding your firm: number of associations or communities currently managed, three references (preferably from associations similar to Evergreen Community Association) comprising the name, address, and phone number of the association president, and the average case load of the your firm's community managers.
2. Sample monthly financial statement that the company provides to its client associations.
3. Please describe the firm's philosophy of managing community associations in no more than 100 words.

All information should be directed to [name, address, e-mail].

The board expressly reserves the right to accept other than the lowest offer and to reject any and all other offers without explanation.

If you have any questions concerning conditions and/or specifications, please contact [name and phone number].

Sincerely,

President
Evergreen Community Association

What to Include in an Association Management Agreement

GENERAL

- ☐ Definition of the parties
- ☐ Contract documents
- ☐ Management assistance
- ☐ Management duties
- ☐ Liaison with the board
- ☐ Compensation
- ☐ Signatures and witnesses
- ☐ Definitions
- ☐ Status of management
- ☐ Liability of management
- ☐ Role of management

PROPERTY MANAGEMENT

FINANCIAL MANAGEMENT

- ☐ Collections
- ☐ Deposits
- ☐ Disbursements
- ☐ Books and records
- ☐ Investments
- ☐ Conformance

EMPLOYMENT AND CONTRACTING POLICIES

- ☐ Administration of personnel
- ☐ Administration of contractors

BUDGETS

- ☐ Annual budget/reserves
- ☐ Budget preparation

SPECIAL ONE-TIME SERVICES PROCEDURES

- ☐ Resident orientation and participation program
- ☐ Governance manual
- ☐ Management plan
- ☐ Committee guidance materials
- ☐ Staff policies manual

BOOKS, RECORDS, INSPECTION, AND AUDIT

- ☐ Books and records
- ☐ Inspection
- ☐ Audit

INSURANCE

- ☐ Scope
- ☐ Amount
- ☐ Reporting
- ☐ Termination and renewal

REPORTS, FILINGS

- ☐ Monthly status
- ☐ Annual status

MISCELLANEOUS

- ☐ Modification and changes
- ☐ Applicable law
- ☐ Conflict of interest
- ☐ Affiliated interest
- ☐ Bankruptcy
- ☐ Assignment, merger, and consolidation



Working with Professional Partners

Whether the association board works with a professional manager or self-manages the association, it's likely that the board will still need the services of other professionals like attorneys, accountants, insurance agents, and reserve specialists. These people become partners with the board and provide invaluable resources.

THE ATTORNEY

Next to selecting an association manager, the most important decision a community association can make is selecting its attorney.

- Associations would be wise to choose an attorney with expertise in community association law.
- It is almost never advisable to hire a member of the association to be the association attorney, whether compensated or on a volunteer basis.
- The association manager needs to work very closely with the attorney, so the two professionals should have a positive and productive working relationship.
- The board should designate one person to interact with its attorney. This not only controls fees, but eliminates confusion and miscommunication.

- The association's attorney is legal counsel to the association and neither represents the board, nor any single member of the board, nor any particular officer or homeowner.

TOOL 7.1: *Use What to Include in a Request for Proposal (RFP) for an Attorney as a guideline for preparing your RFP.*

TOOL 7.2: *Evaluate the proposals you receive using the scoring method located at the end of this section.*

What Attorneys Do for Community Associations

- **Review Documents:** Review governing documents, rules proposed by the board, or contracts with other service providers.
- **Provide Legal Opinions:** Advise the board in all association matters.
- **Educate:** Attend meetings to answer questions, explain concepts or documents, and provide information to homeowners or board members.
- **Collect Delinquent Assessments:** Write and send routine demand letters, file liens, process foreclosures, and litigate if necessary.
- **Enforce Deed Restrictions:** Write and send routine demand letters, file lawsuits, and litigate if necessary.
- **Litigate:** Represent the association for collections, to enforce deed restrictions, and in defense of the board.

THE CERTIFIED PUBLIC ACCOUNTANT (CPA)

The accountant is a vital part of your association's professional team. Success requires that you know what the accountant does, how you can benefit from the accountant's capabilities, and what you want and need. As you develop a long-term relationship with your accountant, your community will benefit from his or her advice, industry expertise, and wisdom.

A staff member or volunteer may take care of the bookkeeping for the association, but a CPA will be needed to conduct an audit at the end of the year. In addition, accountants provide other services that make them a valuable partner for the association.

What Accountants Do for Community Associations

Provide Written Reports

- Audits and transition audits
- Reviews
- Compilations
- Budgets
- Expert testimony and litigation support
- Reserve studies
- Tax returns
- Performance reports

Provide Services

- Develop accounting policies and procedures
- Create an accounting policies and procedures manual
- Design and implement systems for internal control
- Formulate investment policies
- Evaluate, select, and install accounting software
- Train bookkeepers and other accounting staff
- Prepare monthly or quarterly financial statements
- Make recommendations for interviewing and hiring accounting staff

Consult and Advise

- Educate and train board or committee members on technical matters
- Make presentations at meetings
- Evaluate and explain the work of other professionals such as engineers
- Evaluate and advise on replacement funding strategies
- Advise on budgets and long-term financial plans
- Assist in obtaining financing
- Provide business and financial advice

THE INSURANCE AGENT

Insurance agents, like CPAs and lawyers, have a broad range of specialties and areas of expertise. Fortunately for community associations, insurance specifically for community associations is one of them. See next page for **What Insurance Agents Do for Associations**.

THE RESERVE SPECIALIST

Reserve Specialists prepare studies that provide boards with guidance on how to keep the association's physical assets from deteriorating faster than its financial assets increase. That study will include an inventory of items that need to be replaced, an estimate of the useful remaining life of these items, an estimate of the cost to replace them, and a plan for funding the replacement. This requires specialized knowledge of a wide range of interrelated areas, expertise that can be obtained only from a certified Reserve Specialist. For more information about reserves, see section 12.

What Insurance Agents Do for Associations

- Review the association's documents, recommend the legal minimum insurance requirement, and identify additional coverage that might be appropriate.
- Inspect the community's physical layout and amenities and identify exposures that need to be addressed.
- Verify the property values for replacement and/or reproduction costs. This can be accomplished through an appraisal service, a company survey, or various others means.
- Review the association's fidelity bond, and ensure that all parties (board members, committee members, and managers) with access to the association's assets are included in the definition of an employee.
- Discuss the lending institution guidelines for selecting a bond limit if it is not specified in the association's documents.
- Obtain premium quotations, and help the board select the program that best suits the association's needs.
- Explain to the board, in plain English, the coverage being offered as well as the exclusions and limitations of each option.
- Educate residents about the association's policy at an association meeting or prepare a written fact sheet or letter. Explain where the association's coverage stops and the residents' and owners' responsibilities begin.
- Offer the unit owners special coverage and reduced rates.
- Provide certificates of insurance or evidence of coverage to lenders in a timely manner.
- Assist the board in drafting a resolution stating how claims deductibles will be processed.
- Create a claims procedure manual.
- Customize a risk-management program.
- Help the association establish procedures for service providers.
- Review the association's claims annually and recommend how claims can be reduced.



Cautions

The old adage that you get what you pay for is never more true than when hiring legal services. It's important to select an attorney based on expertise and experience, not solely on the basis of rates.

Community associations have unique needs and exposures. It's important to select insurance agents and Reserve Specialists with experience in this field.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Community Association Legal Counsel: How to Select & Use Association Legal Counsel, Guide for Association Practitioners #13, by Hindman & Sanchez. (Community Associations Press, 2002.)

Community Association Insurance: A Guide for Condominium, Cooperatives, and Planned Communities, Guide for Association Practitioners #4, by Treese & Rosenberry. (Community Associations Institute, 1997.)

Community Association Risk Management, Guide for Association Practitioners #25, by Clifford J. Treese. (Community Associations Press, 2002.)

Reserve Funding and Reserve Investment Strategies, Guide for Association Practitioner #24, by M. Frumkin and C. Juall. (Community Associations Institute, 2003.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

What to Include in a Request for Proposal for an Attorney

- ☐ Include a brief description of your association: location, size, and type of project (condominium, town home, single family, etc.)
- ☐ Identify any particular problems or pending legal matters
- ☐ Attach copies of articles of incorporation, bylaws, declaration, covenants (CC&Rs), and rules

Ask the attorney for the following information:

- ☐ Extent of experience in community association law, including representation of community associations
- ☐ Involvement in CAI and other professional organizations
- ☐ Description of firm: size, location, support staff
- ☐ Kinds of legal services offered by attorney
- ☐ Billing rates and practices, including hourly rates, fixed fees, and retainers
- ☐ Sample invoice showing format for new billings, past-due billings, multiple matters, and itemization of fees and costs for hourly and fixed-fee matters
- ☐ List or description of all persons who would work on association matters, including their experience representing associations and rates charged
- ☐ Names and phone numbers of three board presidents and three managers for reference purposes

Evaluating Prospective Attorneys

CRITERIA	Candidate 1	Candidate 2	Candidate 3
Score on a scale of 1–10, where 10 is the highest score			
1. Specialization in community association law including representation of associations			
2. Experience and knowledge of community association law			
3. Expertise in range of association legal services			
4. Availability of legal support staff for the attorney			
5. Commitment to and involvement in the industry			
6. Communication and interpersonal skills			
7. Interest in position and preparation for interview			
8. Fees and rates			
9. References			
TOTAL			



The Importance of Meetings

An association is a business that must conduct meetings of its “shareholders”—the owners or their elected representatives. Community associations conduct several types of meetings, each addressing a particular need.

BOARD MEETINGS

Board meetings must be productive, orderly, free of disruptions, and open to members and residents unless an executive session is convened. (The board should only convene in executive sessions to discuss pending litigation, personnel issues, or contract negotiations.) The primary purpose of board meetings is to:

- Set policy.
- Review operations.
- Resolve disputes.
- Listen to residents.
- Plan for the future.
- Vote on business discussed in executive session.

TOOL 8.1: *Use the Sample Meeting Agenda located at the end of this section as a guide for organizing your own meeting.*

ANNUAL MEETINGS

The primary purpose of annual membership meetings is to:

- Present the annual budget to members.
- Elect directors.
- Deliver committee reports to members.
- Build community by bringing neighbors together.

SPECIAL MEETINGS

Special meetings (sometimes called town meetings) are used to:

- Focus on one particular item of concern or interest.
- Present sensitive or controversial matters to residents.
- Garner support for large projects or clarify unpopular decisions.
- Provide a structured venue in which residents can explore issues and express opinions.
- Get resident feedback before the board takes action.
- Reach consensus or resolve an issue.
- Gain valuable insights into the character and values of the community.

PARLIAMENTARY PROCEDURE

Parliamentary procedure is a tool for conducting meetings. It can be as formal or basic as the association wishes, as long as it provides sufficient structure to keep a meeting orderly, fair, and productive. The advantages of using parliamentary procedure include:

- Staying on the agenda.
- Discussing one subject at a time.
- Giving each participant a chance to speak.
- Speaking only on the issue being discussed.
- Speaking only when recognized by the chair.
- Addressing questions and comments to the chair.
- Deciding issues through motions, seconds, and votes.

MEETING REQUIREMENTS

Associations must meet several important criteria before business can be transacted at a meeting; specifically the association must:

Notify members. The law requires community associations to notify members of meetings—especially annual meetings. Keep notices brief, focused, and simple; issue them at the appropriate time in the proper manner.

Achieve a quorum. Each association's governing documents or state law specify how many members constitute a quorum—and it varies from one association to the next. Ensure that a quorum is present before calling any meeting to order.

Record actions taken—minutes. Minutes are the official record of decisions made at an association board or committee meeting. Good meeting minutes will include:

- Type of meeting: board, committee, regular, special
- Association name
- Time, date, and place
- Attendees' names
- Approval or correction of the previous minutes
- Officer and committee reports
- Motions and their outcomes—approved, denied, or tabled
- Adjournment time
- Secretary's signature

TOOL 8.2: *Use the Sample Minutes at the end of this section to guide you in taking minutes. Not every word of every discussion need be recorded.*



Cautions

Association governing documents or state regulations may specify the means or timing for giving notice of meetings. In some states, “sunshine” laws place specific requirements on how and when you should announce meetings. It’s important to follow these laws so that the business conducted at the meeting is valid and binding.

Convening an executive session to discuss an unpopular subject or to avoid confrontation is not only illegal, but it promotes dissention in a community. It’s important that boards don’t convey the impression that they’re hiding something, advancing hidden agendas, or conducting secret meetings.

Check your state’s laws; meetings are usually highly regulated regarding timing, notice, quorum, etc.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Guide to Annual Meetings, Special Meetings & Elections, 3rd Ed., a Guide for Association Practitioners. By P. Michael Nagle. (Community Associations Institute, 1999.)

Conducting Meetings: A Guide to Running Productive Community Association Board Meetings. M. J. Keatts, Ed. (Community Associations Institute, 1998.)

The ABCs of Parliamentary Procedure. (Channing Bete, 2004.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Meeting Agenda

BOARD OF DIRECTORS MEETING AGENDA

Association _____

Date _____

Schedule	Discussion
6:00	I. Call to Order
6:00–6:30	II. Homeowner Forum
6:30–6:35	III. Reading and Vote to Approve Previous Meeting Minutes
6:35	IV. Agenda Changes/Approval
6:35–7:00	V. Manager’s Report
7:00–7:15	VI. Directors’ Reports
7:15–7:30	VII. Committee Reports
7:30–7:45	VIII. Correspondence for Review
7:45–8:00	IX. Unfinished Business
8:00–8:15	X. New Business
8:15	XI. Adjourn
	Next Meeting:_____

Sample Board Meeting Minutes

MINUTES OF THE [NAME] ASSOCIATION BOARD MEETING

Date and Time: Pursuant to Article [number], Section [number] of the [name] Association, a regular meeting of the board was held on [date], at [time] at [location].

Officers and Quorum: The president, Mr. A, opened the meeting at [time]. The secretary, Mrs. P, was present to record the meeting. Directors Mrs. A, Mrs. B, Mrs. C, and Mr. F. were also present comprising a quorum.

Minutes: The minutes of the [date] meeting were distributed to all board members and committee chairs one week before the meeting. The following corrections were made:

Page 1, Paragraph 3: change "lien" to "line"

Page 7, Paragraph 4: substitute "review" for "report"

There being no other corrections or additions, Mr. B made a motion to accept the minutes as corrected. The motion was seconded by Mr. F and approved unanimously.

Financial Information: The treasurer asked if there were any questions relating to the annual audit that had been distributed with the agenda. He noted that Resolution 8 provided that copies be made available to all members who submitted a written request for the audit.

Manager's Report: The board had no questions regarding the manager's written report that was furnished with the agenda (attached).

Unfinished Business: A motion was made by Mrs. B and seconded by Mr. F to adopt proposed Resolution 308 (attached) regarding insurance coverage. The motion was approved unanimously. A motion was made by Mr. F and seconded by Mrs. C to table discussion of new playground equipment until all board members were present. The motion was approved unanimously.

New Business: A motion was made by Mrs. C and seconded by Mrs. B that the directors attending the CAI conference be reimbursed for the cost of parking at the airport, pursuant to the existing policy of the board on reimbursement for educational events. The motion was approved. Mr. F voted against the motion.

Adjournment: There being no other business, a motion was made, seconded, and unanimously approved to adjourn the meeting at [time].

Respectfully submitted:

Mrs. P, Secretary

Date



Electing Board Members

Community associations are democratic entities governed by boards elected by homeowners. Proper election procedures are essential to the successful operation of the community.

SEEK NOMINATIONS

Most associations' governing documents specify how candidates should be nominated for election—usually by a nominating committee, taking nominations from the floor at the annual meeting, and/or writing in candidates' names on ballots. Boards of associations whose documents don't address this process should implement procedures and safeguards.

CONDUCT THE ELECTION

Conducting an election should be free of cumbersome procedures. Elections should be conducted as early in the meeting as possible so the results can be tabulated as the meeting progresses and the winners announced at the end.

APPOINT INSPECTORS

Inspectors of elections certify that elections are conducted fairly and that results are accurate, either by observing or carrying out the process of collecting and tabulating ballots. Generally, three neutral people who have no interest in the outcome are appointed.

INTRODUCE CANDIDATES

Candidates should be allowed to present their qualifications and platforms to the members in writing (as a personal letter sent to all owners, an article in the association newsletter, or a statement posted on the association website), in person at a special meeting where owners may see and hear the candidates and ask questions, and in person at the annual meeting just prior to the election.

CONDUCT THE ELECTION

During the annual meeting, give members sufficient time to mark, fold, or seal their ballots; then collect ballots in a secure manner.

All votes—except those on minor or procedural issues—should be recorded by written ballot. This safeguards the integrity of the vote by creating a permanent record.

VOTING BY BALLOT OR PROXY

A proxy is the written authorization that allows one person to appoint another (the proxy holder) to vote on his or her behalf. State law and the association's governing documents specify whether an association can use proxy voting, and they may address the type (general or directed), form, and content of the proxy. Associations should consult their attorneys to ensure their proxy procedures are legitimate.

TOOLS 9.1–9.2: *Refer to the Sample Proxy Form and Proof of Notice at the end of this section as examples; however, consult your attorney to be sure your are in compliance with state statutes.*

TABULATING THE VOTE

No matter how the association tabulates the ballots (by hand, with a calculator, or using a computer) make sure everyone understands the correct procedures and involve more than one person.

Every association should review its documents to determine how to count votes. Generally, the voting scheme and the assessment scheme are the same: if every unit or lot pays an equal share, each gets one vote; if the assessment is based on percentage interest, so is the vote.



Cautions

Nominations from the floor disenfranchise members who already voted by proxy or absentee ballot. It's important to ensure your nomination process is conducted properly to avoid recalls.

Many association governing documents require that inspectors of election be appointed from among the owners present at the annual meeting. It's important for the meeting chair to appoint them even if it's not required; otherwise, the legitimacy of the election may be open to challenge.

In some association elections, candidates may invite several people to endorse them publicly during the annual meeting, while other candidates will be more modest. It's important not to condone this form of electioneering during an official meeting.

In some cases, association members may be ineligible to vote. It's important to be diligent when denying an owner the right to vote since voting is a right bestowed by the association's governing documents and state statute.

Check your state's laws regarding elections.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Guide to Annual Meetings, Special Meetings & Elections, Guide for Association Practitioners #21. By P. Michael Nagle. (Community Associations Institute, 1999.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Proxy Form

I, the undersigned, being a bona fide member in good standing of the [name] Association, Inc., and as such entitled to cast one (1) vote at the annual meeting of said association, do hereby appoint

Name _____

Address _____

as my proxy to attend said meeting with full power to vote for me in my name, place, and stead in the same manner and to the same extent and with the same effect that I might were I personally present thereat.

Signature _____ Unit number _____

Printed name _____ Mailing address _____

Date signed _____ Telephone number _____

Accepted this _____ day of _____, _____.
[month] [year]

Name of Secretary _____

Name of Association _____

Note: This sample is for illustrative purposes only. Please consult an attorney for a proper proxy form for your association. Improper proxy forms can invalidate the results of an election or meeting.

Sample Proof of Notice

PROOF OF NOTICE

I, [Name of association secretary] declare that:

At all times herein mentioned, I was secretary of the [name] Association, a [state] corporation, and the person charged with the duty of giving notice of meetings of the corporation.

I served the attached notice of meeting on [date], by depositing true and correct copies thereof in the United States mail at [city, state], in sealed envelopes. With postage fully prepaid, addressed to the members whose names appear on the attached notice at the addresses appearing under their respective names on such notice, which were the latest addresses given to me by the association for the purpose of giving notice to such members.

At said time there was a regular delivery of the United States mail between the places of deposit and address.

Executed on _____ at _____.
[date] [location]

Seal

[Signature] _____

[Typed/printed name and title] _____

Finding Volunteers

The importance of volunteers can't be overstated—associations can't function without them. The community is only what the volunteers make of it, and it's up to the board to identify, appoint, and motivate them.

ELEMENTS OF SUCCESSFUL RECRUITMENT PROGRAMS

The message should:

- Be clear and simple.
- Be repeatedly presented to members to create a strong awareness.
- Grab the attention of residents.
- Be specifically tailored to your community.

POPULAR RECRUITMENT METHODS

- Personal invitations
- Newsletter articles and announcements
- Special mailings
- Notices posted on bulletin boards
- Announcements on the association website

RECRUITMENT TECHNIQUES

- Link individual talents and interests to association needs.
- Educate members about what may occur if they don't participate.
- Explain volunteer duties.
- Consider all members of the community, including renters, absentee owners, and new residents. Tenants are frequently overlooked, but, as potential owners, may have an interest in getting involved.
- Solicit feedback from the residents on important issues, and recruit those who respond or show an interest.
- Follow up on invitations; be enthusiastic but not pushy.

KEEPING VOLUNTEERS MOTIVATED

- Encourage friendly competition among volunteers.
- Stay in touch with volunteers.
- Facilitate the work of volunteers.
- Thank volunteers publicly and often.
- Make volunteer work fun.

TOOL 10.1: *Use the Committee Interest Form at the end of this section to ask residents to participate on committees and to describe the duties and scope of work.*

TOOLS 10.2–10.3: *Develop a specific committee charter to clarify roles and responsibilities of each committee. See Worksheet for Developing a Committee Charter and Sample Completed Committee Charter at the end of this section.*

Cautions

Frustration is a common reason volunteers fail to perform. It's important to assign tasks that are achievable and measurable.

Boards can contribute to a volunteer's success by accurately projecting the time needed to complete a task. Be sure to give volunteers sufficient time and to grant extensions of time to complete their mission.

Boards must facilitate the work they've assigned to volunteers. It's important to provide moral support and the resources needed to accomplish a task.

FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Revitalizing Apathetic Communities, a Guide for Association Practitioners, by Carol Paul. (Community Associations Press, 1996.)

Community Association Leadership, a Guide for Volunteers. (Community Associations Press, 2002.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Committee Interest Form

Date _____

Name _____

Address _____

Phone _____

E-mail _____

Committees advise and assist the board in conducting the business of the association. Interested residents of the community are invited to volunteer for committees where they have an interest and can make a contribution to the community. Please check all committees on which you would like to participate.

☐ **Covenants Committee**

Assists the board in regulating external design, appearance, use, and maintenance of the common areas. Issues notices of violations, conducts hearings, and hears appeals. Reviews policies, procedures, rules, and regulations periodically for need and enforceability.

☐ **Communications Committee**

Prepares the association newsletter, promotes community events, maintains a community directory, and conducts orientation for new residents.

☐ **Maintenance Committee**

Preserves and enhances the physical environment of all common areas, solicits information and bids from appropriate maintenance providers, and monitors maintenance contracts for compliance.

☐ **Safety Committee**

Identifies safety hazards, develops programs to promote the safety and security of the community, inspects common areas and equipment, and recommends improvements.

☐ **Recreation/Social Committee**

Develops social programs according to the needs of the community, and develops programs for all interests and ages.

☐ **Finance Committee**

Reviews the preliminary budget, conducts public hearings on the budget, reviews financial reports, reviews and monitors insurance needs and coverage, monitors financial procedures and transactions.

☐ **Elections Committee**

Nominates candidates for board positions and organizes, prepares for, and conducts association elections.

Please return your completed form to:

Worksheet for Developing a Committee Charter

Committee Name _____

Purpose _____

Responsibilities _____

Term _____

Number of Members _____

Selection of Members _____

Committee Organization _____

Relationship to Board _____

Relationship to Management _____

Sample Completed Committee Charter

Committee Name: Property Maintenance Review Committee

Purpose: The Property Maintenance Review Committee is commissioned by and reports to the board of directors. The committee is responsible for advising the board on matters pertaining to common area property maintenance. Recommendations will be presented in September to be considered in the [year] budget and planning process.

Responsibilities: The committee will review all aspects of common area property maintenance. It will study and evaluate work schedules to determine the adequacy of current staffing; review and evaluate equipment used for maintaining the property and recommend purchasing or renting equipment; survey residents to determine the desired standard of maintenance; and prepare and present recommendations to the board by [date].

Term: The Property Maintenance Review Committee shall exist for a period of six months from the date of commission.

Committee organization: The committee shall consist of five members to be appointed by the board of directors. The committee chair shall be appointed by the board of directors. The committee shall meet as frequently as necessary. Minutes will be taken at all committee meetings.

Relationship to board: A copy of all committee meeting minutes will be sent to the board. Expenditures must be approved in advance by the board.

Relationship to management: Management staff will provide access to all common area property maintenance records, files, and contracts. Staff will provide secretarial support to the committee.



Finances

As a board member, one of your most important responsibilities is managing the association's finances. As a fiduciary of the corporation, you must protect assets, budget responsibly, plan for the future and invest wisely, and observe all laws and regulations affecting the association's resources. Association managers and accountants can assist you in each of these areas.

PROTECT ASSETS

Boards should implement every possible means to protect association assets.

- Protect cash assets with checks and balances procedures and conservative investment policies.
- Protect physical assets with adequate insurance coverage.
- Protect cash and physical assets with sound risk-management policies.
- Protect income with fair and consistent collection policies.
- Protect against liability with informed decision making.
- Protect against waste and corruption by exercising due diligence.
- Protect real-estate values with proper maintenance.

TOOL 11.1: *See Checklist for Safeguarding Association Assets located at the end of this section.*

Delinquencies to Total Annual Assessments

3 percent or less	Excellent
4 percent	Very Good
5 percent	Good
5–10 percent	Serious
11 percent or greater	Dangerous

BUDGET RESPONSIBLY

The budget is a formal financial plan that determines the annual assessment. It should cover operations and reserve funding.

- Develop the budget in an objective, step-by-step manner based on historical data (prior-year budgets) and careful research (Will any of the contractors raise fees this coming year? Will interest rates go up or down?).
- When budgeting expenses, avoid rationalizing (“we won’t need much for maintenance because the property is in good condition”) or projecting (“it will be a mild winter, so electricity expenses can be reduced”).
- Remember to include taxes in the budget—income, real estate, payroll, personal property—and insurance premiums.
- When projecting income, remember that some owners will inevitably default or be late with assessment payments, which will reduce monthly cash flow.
- If possible, develop two-, three-, or five-year budgets to avoid special assessments or a surprise assessment increase.

PLAN FOR THE FUTURE—RESERVES

Reserves—funds set aside for future big-ticket expenses—are an extremely important part of the association’s finances. (Reserves are covered in more detail in the next section.)

OBSERVE FEDERAL AND STATE REGULATIONS

Some federal and state regulations affect community associations with regard to how they manage their finances.

Taxes. Even though community associations are nonprofit organizations, they must file federal, and possibly state and local, income tax returns. Most associations will have at least some income from interest earned on investments. Some will have miscellaneous income from laundry facilities, late charges, special

fees, repair charges, pool use, vending machines, or newsletter advertising. In addition, some associations may be subject to sales, payroll, or property taxes.

Fair Debt Collection. The federal Fair Debt Collection Practices Act (FDCPA) has made abusive debt collection practices illegal. Most community associations are not subject to the federal act, but many fall under state debt collection statutes. Boards should check with the association attorney to ensure that the association is using legal procedures to collect delinquent assessments.

THE ROLE OF THE MANAGER

Financial responsibility for the association rests with the board, but the manager plays an important role in implementing financial policies and carrying out the day-to-day activities of managing finances. Such activities include:

- Collecting assessments
- Following up on delinquencies
- Filing liens
- Reviewing and paying invoices
- Processing payroll
- Preparing financial reports
- Preparing tax returns, budgets, and financial reports
- Serving as liaison to the CPA and Reserve Specialist

TOOL 11.2: *See the Sample Financial Activities Organization Chart at the end of this section for an overview of how boards and managers interrelate.*



Cautions

Attempts by well-meaning boards to keep assessments low not only postpone problems, but can also seriously compound them. It's important to be accurate and realistic when developing a budget, regardless of the annual assessment rate that results.

The federal Fair Debt Collection Practices Act and numerous similar state statutes have implications for how associations collect their assessments. Boards must comply with this and other federal and state regulations in all association operations.

Different methods of filing income taxes are available to different types of associations. Filing incorrectly can result in overpaying or opening the association up to tax liability. It's important for board members to know the best method for their association.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

The Role of the Association Treasurer, a Guide for Association Practitioners, By Howard A. Goldklang, CPA, MBA. (Community Associations Press, 2002.)

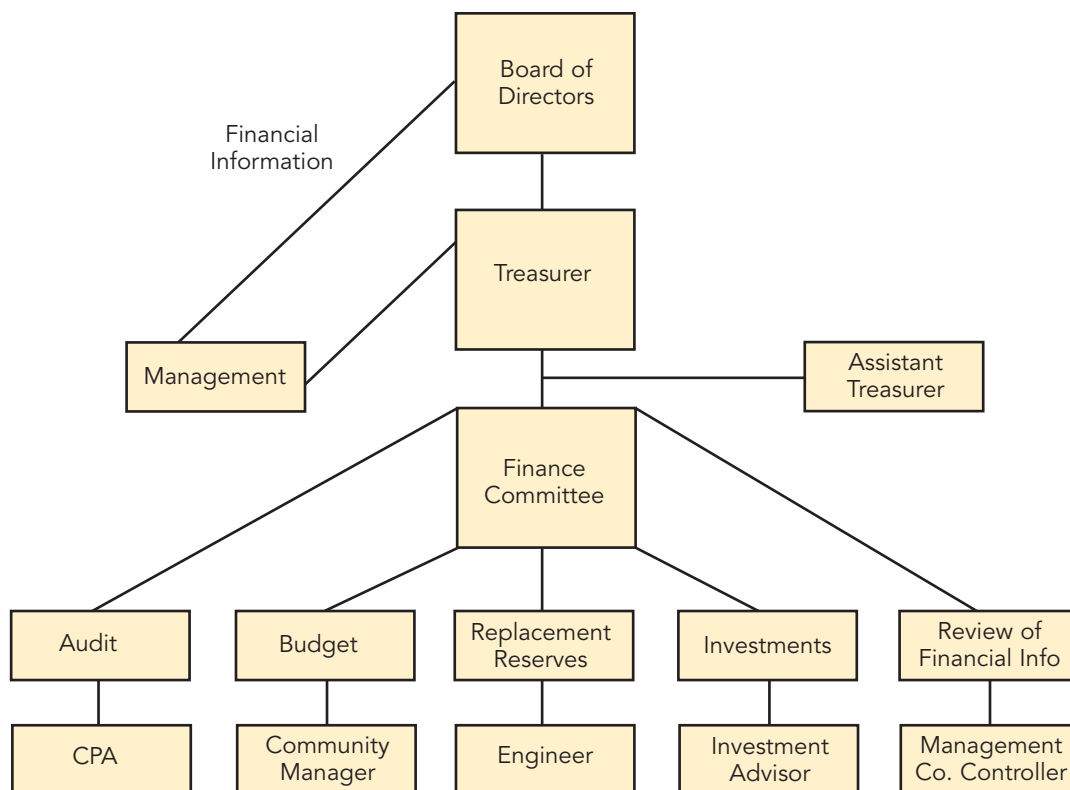
CAI Treasurer: Accounting Software for Self-Managed Homeowner and Condominium Associations and Cooperatives. CD or Download. (Community Associations Institute, 2002.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Checklist for Safeguarding Association Assets

- ☐ Are ledgers balanced and posted monthly?
- ☐ Are employees, board members, and the manager bonded?
- ☐ Are accounting records protected from loss?
- ☐ Are all checks manually signed, numbered, and accounted for?
- ☐ Are checks mailed by someone other than the preparer?
- ☐ Are voided checks retained and defaced?
- ☐ Are bank accounts reconciled promptly at the end of each month?
- ☐ Are each day's receipts deposited intact and without delay?
- ☐ Are banks notified immediately when a check signer is no longer authorized?
- ☐ Are all investments registered in the association's name?
- ☐ Are checks made out to "cash" prohibited?
- ☐ Are investments maintained safely?
- ☐ Are write-offs approved by the board?
- ☐ Are property assets inventoried?
- ☐ Are vendor invoices checked for accuracy?
- ☐ Are major contracts obtained through a bidding process?
- ☐ Does the board authorize all replacement reserve transactions?
- ☐ Are appropriate payroll records maintained?
- ☐ Is insurance coverage reviewed annually?

Sample Financial Activities Organizational Chart



Reserves

One of the primary duties of the board is protecting property values. Boards accomplish this by planning ahead and reserving money for future big-ticket expenses in funds called reserves.

- Knowing what the big-ticket items—roofs, asphalt, seawalls, boilers—will cost and when to replace them is a specialty that requires the expertise of engineers and investors. These experts—called Reserve Specialists—prepare reserve studies that tell associations how much they need to put aside, or reserve, in each year's budget so they can pay for a new roof in 20 years. To locate a qualified Reserve Specialist, boards should visit www.caionline.org and consult the National Service Directory and/or the Credentialed Professionals Directory.
- The board and manager cannot develop a realistic budget without a reserve study.
- Because prices and conditions change from year to year, boards should have the association's reserve study updated at regular intervals.
- Reserve funds build up over many years. Therefore, investment strategies are an essential component of any reserve-funding program. Boards have a fiduciary obligation to protect the principal while maximizing the return

on the investment. This requires sound financial guidance from qualified advisors.

- Maintaining adequate reserve funds eliminates unexpected fee increases, special assessments, and borrowing. And by saving instead of borrowing, the association earns income instead of paying interest. In fact, the income from reserve accounts can help keep fees low by supplementing assessments.

STEPS IN ESTABLISHING A RESERVE FUND

1. Get the owners on board. Owners sometimes think reserves are costing them extra money or wonder why they should pay now for something that may not have to be replaced for several years. To help owners understand the importance of reserves, boards can inform them of these important reasons:

- A reserve fund may be required by law.
- Reserve funds provide for the planned replacement of major items that must, at some point in time, be replaced.
- Major items deteriorate over time. Although a roof will be replaced when it is 25 years old, every owner who lived under it should share its replacement cost.
- Reserves minimize the need for special assessments.
- Reserves enhance resale values.

2. Conduct a reserve study. The board should work with its manager, accountant, engineer, and Reserve Specialist to conduct a reserve study. Reserve studies have two parts: the physical analysis and the financial analysis.

3. Setup a component schedule. A component is a part of the common elements, like a roof or boiler, and the schedule is the date when the experts think it will need to be replaced. A components schedule is therefore a list of all common area components and the dates when they are likely to need replacing.

TOOL 12.1: *See the Flowchart for Selecting Preventative Maintenance Schedule Components at the end of this section.*

4. Select a funding plan. There are four primary reserve funding strategies, and the board must decide the one that's right for the association based on funding goals.

- Full funding means that reserves are funded and maintained at or near 100 percent.
- Baseline funding means that associations keep the reserve cash balance above zero.
- Threshold funding means that the fund's minimum balance is set at a predetermined dollar amount.
- Statutory funding means associations set aside the minimum amount of reserves required by statutes.

5. Decide how often to conduct a reserve study. Experts recommend that studies be reviewed or updated every one to five years, but this can vary according to the age and needs of the association.

INVESTING

The board has a legal responsibility to all owners to make sure reserve funds are invested properly and that the funds are available when needed. For these reasons, board members must consult with professional advisers, decide on a strategy that is in the best long-term interest of the association, and prepare a written investment policy.

ESTABLISH AN INVESTMENT POLICY

An investment policy will provide boards with the structure, consistency, and continuity necessary for any investment decision they must make. The policy should take into consideration safety, liquidity, and yield of principal as well as investment risks like inflation or interest rates.

TOOL 12.2: *See the Sample Investment Policy at the end of this section.*

GUIDELINES FOR INVESTING RESERVES

Boards are guided by their bylaws as to how to invest their funds. Typical guidelines might state:

- If the association needs to use reserve funds within six months, it should invest in a money market fund.
- If the association needs money within six months to one year, it should invest in a six-month CD or a six-month treasury bill.
- If the association needs the funds after one year, it should utilize a laddered portfolio of CDs or treasury notes based on the future liquidity needs of the association.

Associations benefit from prudent investing that focuses on reason and foresight—not on high rates of return. The board has a fiduciary duty to protect, maintain, and enhance association assets, not to speculate with funds. Any variance from this safe and secure approach may constitute a breach of fiduciary duty.

TAX CONSIDERATIONS

Associations can invest their funds in a variety of ways. However, different types of investments are subject to federal and state income taxes, such as:

- Interest income
- Rental income (if the association owns and rents a unit)
- Capital gains

The effect of taxes on the association's investments will need to be factored into the overall reserve funding strategy.

FINDING A RESERVE SPECIALIST

A qualified Reserve Specialist has years of experience and education, and he or she can ensure that your community association prepares its reserve study as accurately as possible. To locate a Reserve Specialist, go to CAI's website at www.caionline.org and peruse the Credentialed Professionals Directory and/or National Service Directory.



Cautions

Reserve accounts have a bearing on whether prospective buyers can get financing in your association. It's important to allocate sufficient funds for reserves in the annual budget.

Setting aside funds for the future is an extremely important part of the board's financial responsibility. It's important to remember that boards that fail to adequately fund their reserve accounts have breached their fiduciary duty to the association.

Reserve studies are technical documents requiring specialized expertise. The board should hire a qualified, experienced person to prepare its study.

If board members prepare the reserve study, they should be aware of the risks since they will expose themselves to liability if they don't set aside sufficient funds.

An association's reserve can easily become over-funded as well as under-funded. It's important for boards to consult a professional before deciding how much to put in reserves.

Check your state's laws; reserves in your state could be dictated by statute.



FOR MORE HELP

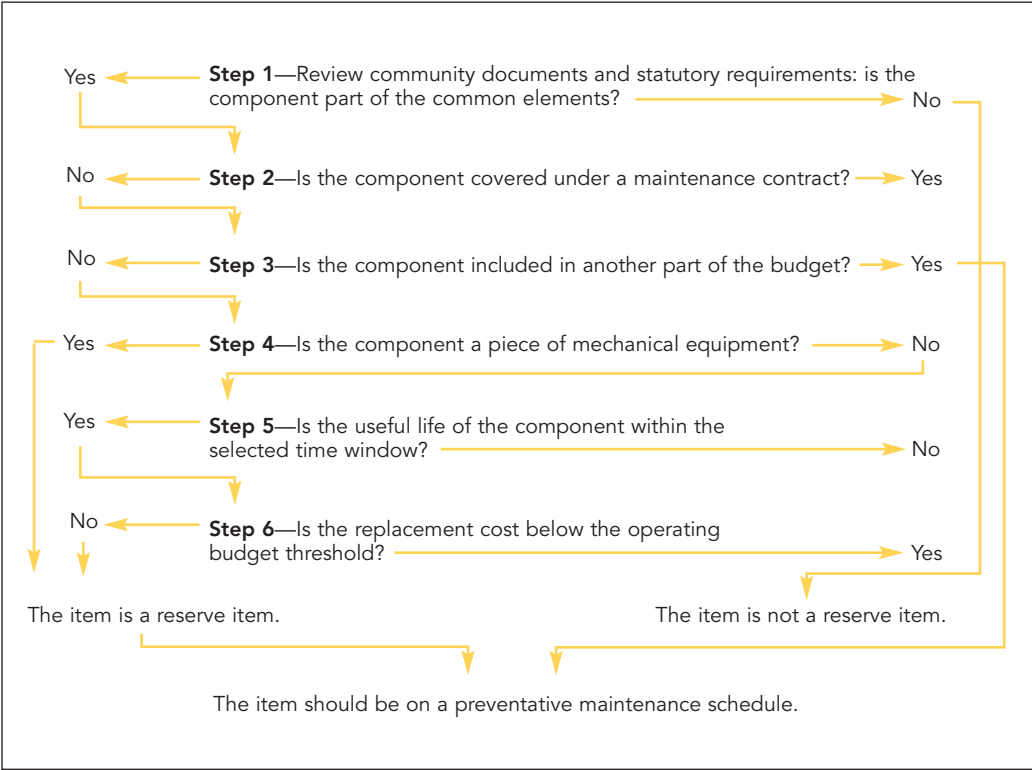
Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Reserve Funding and Reserve Investment Strategies, Guide for Association Practitioner #24, by M. Frumkin and C. Juall. (Community Associations Institute, 2003.)

www.caionline.org/about/designations_finding_professionals.cfm

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Flowchart for Selecting Preventative Maintenance Schedule Components



Sample Investment Policy

Approved by the Riverview Condominium Board of Directors on [date].

The Riverview Condominium

Rockville, Maryland

BE IT RESOLVED that the replacement reserves shall be invested in such amounts as may be authorized by the board in accord with the following policy.

A. No funds shall be deposited or invested except in authorized investments. Authorized investments are those that are in accordance with the Maryland Condominium Act and with the declaration and bylaws of the Riverview Condominium and that are obligations of, or fully guaranteed by, the U.S. government.

B. All accounts, instruments, and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by, the board of directors as appropriate, and they shall be reviewed at least annually.

C. Investments shall be guided by the following goals, listed in decreasing order of importance:

1. **Safety of principal.** The long-term goal is safety of the replacement reserves.
2. **Liquidity and accessibility.** Funds should be readily available for projected and unexpected expenditures.
3. **Minimal costs.** Investment costs (redemption fees, commissions, and other transaction costs) should be minimized.
4. **Professional management.** Funds should be invested with professional managers who have good reputations and sound credentials.
5. **Return.** Funds should be invested to seek the highest level of return that is consistent with preservation of the purchasing power of the principle and accumulated interest.

Selecting Contractors

Community associations—even those that are self-managed—hire contractors on a regular basis to provide a wide range of services, including maintenance services (roofing, landscaping, pool maintenance, cleaning, paving, construction, interior design, pest control), legal services (e.g., attorneys), and financial services (e.g., accountants, CPAs, Reserve Specialists).

Selecting contractors requires ethical and diligent work from board members—who must avoid conflicts of interest and specify exactly what services the association needs.

CONFLICT OF INTEREST

A conflict of interest is a situation in which an individual's duty to one leads to the disregard of a duty to another. For example, if a board member manages a lawn care company and the association is seeking bids for lawn care services, the board member could be facing a conflict of interest.

WHAT TO INCLUDE IN BID SPECIFICATIONS

Before the association selects a contractor, it must specify in writing exactly what service or product it wants. These specifications allow contractors to bid accurately for the

association's business. They also provide the basis for a contract once the board has made its selection.

TOOL 13.1: *See the Sample Landscape Maintenance Contract at the end of this section.*

Contractors that agree to detailed specifications and clearly understand the extent and limitations of their duties are more likely to produce satisfactory work. The association's bid specifications and contract should clearly define how various details will be handled and by whom.

- Who are the parties to the contract?
- When must the work be completed?
- What are the penalties for delays or nonperformance?
- What is the exact location where the work will be performed?
- What days and hours will work be performed?
- How and when will payments be made?
- What is the total amount that will be paid for the project?
- How much of the total payment will be held back until all work is completed and accepted?
- Who will select materials? What type, color, or quantity of materials will be ordered and when? Where will materials be stored?
- Who will provide tools and equipment? Who will secure, insure, store, rent or repair tools and equipment?
- Who is responsible for damage to property or people?
- How much insurance is needed?
- What liability does the contractor assume, and what does the association assume?
- Is a completion bond needed?
- Who is responsible for licenses, permits, and warranties?
- Who will provide containers for trash and dispose of trash, and how frequently?
- When will progress inspections be conducted and by whom?

- How and when must the contractor notify the association of overruns?
- How will additional work be handled and who will authorize it?
- What is the minimum notice required for canceling the contract? Are there specific conditions that result in cancellation?
- Does the contract include a clause stating that both parties must meet all applicable state, local, and federal laws?
- Does the contract include language stating that the contract represents the entire understanding between the parties and that no verbal agreements have been made or will be honored unless added as a written addendum to the contract?
- Who is responsible for supervising the contract implementation—a board member, the manager?

Once the specifications have been completed, provide them to five or six prospective contractors and invite them to respond. Interview the two or three best prospects, and sign a contract with the one selected. Be sure to check references, and have the contract reviewed by the association's attorney before signing.

TOOL 13.2: *See Sample Contract Specification Requirements Checklist at the end of this section.*

WHERE TO FIND CONTRACTORS

Where do boards find qualified prospective candidates who can bid for the services they need?

Online directories. The first place to look is CAI's online National Service Directory at www.caionline.org/prog/prodir/index.cfm.

CAI chapter directories. Many local CAI chapters maintain online or printed directories of service providers and contractors. A complete list of all chapters is available at www.caionline.org/about/aboutchap.cfm. Links are included for chapters with websites.

Advertisements. Contractors who specialize in serving community associations advertise in CAI's national and chapter magazines and newsletters. They are also frequently quoted in

articles appearing in the publications that board members receive with their membership in CAI.

Networking. Not all experienced and capable contractors will be listed in a directory. Ask your community association manager for recommendations or meet and talk to contractors at local and national meetings of CAI.



Cautions

Board members must be objective and ethical when selecting contractors. It's important not to accept gifts or favors from contractors that either provide services or supplies to the association or bid for prospective work with the association.

Asking all prospective contractors to bid on the association's written specifications is a key factor in making the right choice. Board members should compare all bids based on the same criteria.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Bids and Contracts: How to Find the Right Community Association Professional, a Guide for Association Practitioners, by Stephen R. Bupp. (Community Associations Press, 2004.)

Selecting the Landscape Maintenance Contractor, Guide for Association Practitioners #12, by James B. Cranford. (Community Associations Press, 1996.)

Conflicts of Interest: How Community Association Leaders Honor Their Duties, a Guide for Association Practitioners, by Tonia C. Sellers and Jay S. Lazega. (Community Associations Press, 2004.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Landscape Maintenance Contract

This agreement between Greenlawn Master Homeowners Association, Inc., 1000 Meadow Place, Redrock, TX 75000 herein called "association," and Designers and Landscapers, Inc., 18 Nursery Trail, Redrock, TX 75000, herein called "landscape contractor," is made and entered into on [date].

Employment: The association agrees to engage the services of the landscape contractor and the landscape contractor agrees to accept the engagement.

Services: Both parties agree that all specifications and stipulations on the attached request for bid become a part of this landscape agreement between the parties.

Contractor's Responsibilities: Contractor is an independent contractor and therefore assumes all responsibilities for any taxes, insurance, or licenses as may be required by federal, state, or local laws for the protection of its employees or for the right to do business. Contractor agrees to be responsible for injuries or damage to property that occur as a result of the contractor's actions—even if the insurance in effect does not cover that loss. Contractor is responsible for initially investigating and trying to settle any damage or injury complaints as a result of the contractor's service. Contractor indemnifies and holds harmless the association, its directors and officers, management agent, and staff for any claims arising from this contract. Costs associated with resulting actions to rectify any violation shall be borne by the contractor.

Term: This agreement shall begin on [date] and be in effect for a one-year period. This agreement shall automatically be renewed at the end of the original term for successive terms of one year each, unless one party gives notice of its intent to terminate or renegotiate to the other in writing at least 60 days prior to the end of any term.

Subcontracting: The landscaping services shall not be subcontracted without the express written consent of the association.

Compensation: The association shall pay the landscaping contractor a fee of \$_____ per month for 12 months, which shall be due and payable within the first five days of the month following the month of service.

Termination: The contractor may terminate this agreement with 30 days

Continued, next page

notice should the association fail to meet the payment schedule as outlined. The association may terminate this contract with or without cause before the end of the contract term. Not less than 90 days notice shall be given in the event of cancellation without cause. Not less than 30 days notice shall be given for cancellation with cause. In the event of termination, the association shall pay the contractor for all described services that have been satisfactorily completed. Any payment shall be the contractor's sole exclusive remedy.

Notice: Notice that either party desires to give under this agreement shall be given by certified mail, return receipt requested, to the business address of the other party.

Integration Clause: This agreement constitutes the full understanding of the parties, and no oral representations or prior written representations made by either party shall be binding. This agreement may be modified only in writing signed by both parties. This agreement is binding with the signing of both parties, who represent to each other that they have the authority and ability to comply with its provisions.

Association President

Date

ATTEST: _____

Association Secretary

Contractor

Date

ATTEST: _____

Contractor's Secretary

13:6 The Board Member Tool Kit

SELECTING CONTRACTORS

LEGAL DISCLAIMER: Community associations are governed by state law, which can vary widely from state-to-state. Please note that the content contained in these documents is intended to be used for general educational and informational purposes only. Although we try to keep the information contained in these documents up-to-date, it may not reflect the most recent developments and it may contain errors or omissions. Community Associations Institute has not compared or reviewed these documents relative to the law in any state and does not warrant or guarantee that the contents of these documents comply with the applicable law of your state. The contents of these documents are not intended to be a substitute for obtaining advice from a lawyer, community manager, accountant, insurance agent, reserve professional, lender or any other professional.

Sample Contract Specification Requirements Checklist

- | | |
|---|---|
| ☐ Full name of all parties involved | ☐ Liability of each party |
| ☐ Time to complete the work | ☐ Responsibility for permits |
| ☐ Penalties for failure to comply | ☐ Inspections |
| ☐ Payment terms | ☐ Notification of more repairs |
| ☐ Total dollar amount of contract | ☐ Contract coverages |
| ☐ Complete specification of materials used and supplier of materials | ☐ Failure to adhere to contract terms |
| ☐ Storage of materials and tools | ☐ Time/cancellation provisions |
| ☐ Responsibility for damage | ☐ Jurisdiction in which the contract is enforced |
| ☐ Insurance requirements and proof | ☐ No oral agreements |
| ☐ Performance/completion bond | ☐ Maps or other description of work area |
| ☐ License requirements/responsibilities | ☐ Hours and days when work may be done |
| ☐ Guarantee/warranty required | ☐ Tools/equipment provision |
| ☐ Clean up requirements | ☐ Association supervision |
| ☐ Labor supervision | |



Communicating with Residents

Communicating effectively with members and residents will do more to ensure the success of the board and the association than any resolution the board may pass or rule it enacts.

HOW DOES A BOARD COMMUNICATE EFFECTIVELY?

- Communicate frequently, in varying settings and places, and in as many ways as possible.
- Be positive, open, and direct.
- Listen and be inclusive.

Another approach to communicating effectively is by answering these questions:

- What does the board want to accomplish with this communication?
- What tone is appropriate to accomplish this goal?
- When do residents need to receive this information?
- To whom is the message directed?
- What is an appropriate expense for delivering this message?

CORRESPONDENCE

Individual correspondence is one of the most direct and personal ways to communicate with residents. Some of the more common forms of correspondence include:

- Rule-violation letters are one of the necessary evils of community association management. It's a good practice to begin with a gentle reminder letter giving residents an opportunity to comply followed by two to three progressively stronger letters if they don't.
- Thank-you letters let volunteers know their efforts are appreciated.
- Thank-you letters let residents know their compliance with rules was noticed.
- Welcome letters give new residents a sense of belonging.
- Congratulating letters are appreciated by staff, board members, and residents for major accomplishments or jobs well done.
- Business correspondence is essential to the operation of the association. Do your letters to contractors, lenders, committees, public officials, and others clearly identify all parties involved, what they're supposed to do, where and when they should do it, and why?

NEWSLETTERS

The association newsletter is a valuable and important way to communicate with residents. The board may prepare the newsletter or delegate it to the manager or a volunteer. Important aspects of good newsletter preparation include the audience, content, presentation, and design.

Audience

- Is yours a family-oriented community, a retirement community, or a busy, professional community?
- Are all residents owners; are all owners residents?
- Will managers and developers see your newsletter?

Content

- A message from the board or the president
- Reports on project status, financials, committee work
- Minutes or summaries of minutes
- Rule reminders
- Events—including meeting notices
- Association contact information
- News from CAI

Presentation

- Snappy headlines
- Fair reporting of the facts
- Well written and easy to read
- Different or creative presentations
- The most important information is up front

Design

- Lighthearted, eye-catching artwork and photography
- An attractive, consistent, simple layout

WEBSITES AND E-MAIL

Making full use of technology will strengthen any association's communications program. Websites are cheaper, faster, more accessible, and more convenient than traditional means of communication, such as newsletters, and they provide immediate and interactive exchange of information. Place the following types of documents on the association website:

- Governing documents, forms, rules, budgets
- Back issues of newsletters
- Meeting minutes and annual and committee reports
- Announcements: upcoming events, meeting notices

Like websites, e-mail allows board members, managers, and residents to communicate effectively because it's convenient, provides a written record, allows quick exchange of documents such as minutes, and reduces postage expense.

TOOL 14.1: See *Getting Started with Your Website* at the end of this section.

ANNUAL REPORTS

Annual reports can:

- Provide a permanent record of the association's activities.
- Inform members about board and association accomplishments.
- Provide realtors and others with valuable marketing information.
- Provide valuable data for the resident handbook or welcome packet.

Annual reports generally include:

- A list of key accomplishments.
- An overview of the association's finances, including the budget for the coming year.
- Names of volunteers who worked for the association during the year.
- Plans for the coming year.



Cautions

Consider adopting a newsletter policy for your association that specifies what content is acceptable, what gets priority, the need to avoid libel, what types of advertisements, if any, are acceptable, and the ceiling for ad revenue according to your tax status. It's important to have a framework within which everyone can work comfortably to produce your newsletter.

Being the association webmaster is a demanding assignment; volunteers come and go, have varying levels of expertise, and a limited amount of available time. Boards should keep the association website fresh and current, so consider contracting with a professional web provider.

It's easy for board members to discuss association issues via e-mail; however, to avoid the risk of conducting "secret" discussions or meetings, boards should not reach consensus or make decisions via e-mail. It's important for board members to print out all e-mails and make them part of the public record by appending them to meeting minutes, or avoid e-mail discussions and conduct all business in the open during regular meetings.

Some of these documents and communications can be regulated by state law.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Communications for Community Associations, Guide for Association Practitioners Report #15, by Debra H. Lewin. (Community Associations Institute, 2000.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Getting Started with Your Website

If you would like to build a website, where should you begin? Start by developing a list of goals and requirements for your website. If your site will offer dynamic or interactive features, such as calendars, online forms, or surveys, you may opt to work with a web service provider that can build and host your site for you. Many of these companies offer a content management system (CMS), which can enable you to post content without having web publishing experience. You may find web service providers in CAI's online National Service Directory.

If your site requirements do not include interactive or dynamic features, you may choose to develop your own website. You will need a computer, an Internet connection, and a web browser (such as Microsoft Internet Explorer), so you can build, test, and upload your site.

If you plan on developing the website yourself, you should familiarize yourself with the following:

HTML. You will need a working knowledge of HTML (HyperText Markup Language), since it is the primary authoring language for websites. HTML defines the structure of a web page through tags, which are formatting commands placed around your content. If you search for "HTML" in a Web search engine you will find many online resources to help you learn HTML. In addition, there are numerous books available on the subject; check your local bookstore.

WYSIWYG ("What You See Is What You Get") HTML editors. Although your web pages can be edited with a simple text editor, such as Notepad on Windows, WYSIWYG software lets you create your web pages visually, while the software generates the HTML. There are many WYSIWYG editors available—Microsoft Front Page and Macromedia Dreamweaver are two examples. For best results when using a WYSIWYG editor, you will need to learn the basics of HTML.

Graphics. For images, you can find digital images from photo and clip-art libraries that are available online or on CD-ROM. Alternatively, if you have a digital camera or a scanner, you can post your own digital photos. You will want some photo editing software, such as Paint Shop Pro, to optimize your images for the web. Many digital cameras and scanners come with software and instructions for producing web-ready images.

Server. Once you have your web pages and associated images, you're ready to put your site on the Internet. Find a good hosting company by asking friends and colleagues who have websites, or use an online search engine to find hosting companies. Your hosting company will provide space on an Internet-connected computer and help you purchase a domain name, which will be used for your site's web address. Your hosting company can help you upload your content.

Rules

Boards of community associations have a right and duty to make and enforce rules based on common law, state statutes, and the association's governing documents, which confer on the board the obligation to preserve and protect the assets of the community. One of the ways that the board meets this obligation is by adopting rules and seeing that residents comply with them. In this way, rules are very good things. However, making rules is a serious business and must be approached with great care and attention.

Rules are important in community associations for the same reasons laws are important in society in general. Rules provide certainty and order, protect the freedom and safety of residents, interpret provisions found in governing documents, and protect commonly owned resources.

This last reason is particularly important to boards of community associations: rules are the means by which boards restrict behavior that might reduce the value of the commonly owned property. Most important perhaps, rules help the association meet the established expectations of residents.

BASIC GUIDELINES FOR MAKING RULES

- Develop a rule only if necessary.
- Base the rules on proper authority.
- Be reasonable. Rules shouldn't be about limiting the activities of residents. They're about protecting the living environment and property values from the disruptive or harmful behavior of residents.
- Make compliance easy. Keep the rules simple and easy to follow.

TOOL 15.1: *Use the Sample Rules for Using Common Areas at the end of this section as a guide in writing your own association rules.*

TOOL 15.2: *The Adopting New Rules Flowchart at the end of this section will guide you through the process of adopting new rules.*

WORK WITH RESIDENTS TO ACHIEVE COMPLIANCE

- Educate residents about rules and give them sufficient notice of all effective dates.
- Build community consensus that supports the rule.
- Review rules periodically, and eliminate or amend them, if needed.
- Act promptly when violations occur.
- Be reasonable; make sure the rules and consequences fit the situation.
- Give residents ample opportunity to comply.
- Provide clear information and guidelines on rules.
- Apply rules uniformly and consistently.
- Be flexible; allow appropriate and reasonable exceptions.

WHEN RULES ARE BROKEN

Due process is a legal term that simply means basic fairness. The person who may have violated a rule must be treated fairly and afforded basic rights. The essentials of due process include:

- Give the resident notice of the problem and consequences.
- Give the resident an opportunity to be heard with his or her side of the story.
- The resident has the right to be represented by legal counsel.

Do's and Don'ts of Making Rules

- Make rules that make sense.
- Make rules that restrict as little as possible.
- Make rules that are actually needed.
- Make rules that are acceptable to residents.
- Make rules that residents can easily obey.
- Make rules that get the needed result.
- Make rules that are enforceable.
- Make rules that are legal.

- Don't make rules that try to regulate the personal lives of residents.
- Don't give in to political pressure.
- Don't go to extremes.
- Don't impose harsh consequences for small infractions.
- Don't refuse to make exceptions in exceptional circumstances.
- Don't act on anonymous, unverified, or unsubstantiated complaints.
- Don't make rules that create new problems.



Cautions

Being flexible with rules doesn't mean you're failing in your duty. Inflexibility can send a simple matter rocketing out of control or result in an expensive power struggle. It's important to remember that going to extremes is rarely effective.

If a problem ends up in court, nothing will lose the association's case faster than evidence that the rule hasn't been applied consistently. Boards must treat all residents the same when enforcing rules.

The board may have the authority to impose fines for rules violations, but fines have the potential to cause more problems than they solve. It's more important to work with residents toward compliance than to impose punishment.

The rules associations make must be consistent with federal, state, and local laws. It's important, therefore, to have the association attorney review existing and proposed rules and the processes used to implement them.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

Reinventing the Rules: A Step-By-Step Guide for Being Reasonable, by Lucia Anna Trigiani. (Community Associations Press, 2002.)

Be Reasonable, How Community Associations Can Enforce Rules Without Antagonizing Residents, Going to Court or Starting World War III, by Kenneth Budd. (Community Associations Institute, 1998.)

Drafting Rules, a Guide for Association Practitioners, by Gurdon H. Buck. (Community Associations Institute, 2004.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Sample Rules for Using Common Areas

The common areas are a great natural asset for association residents. These lands were permanently set aside to maintain a natural buffer between residential and commercial areas, and they were established to benefit current and future residents of the community.

They provide an educational area for those interested in plants and wildlife.

The preservation of these areas depends primarily on the cooperation of association residents. Preservation is only partially assured through the official activities of the association.

These grounds are owned by the association and maintained with dues paid to the association.

The association is responsible for developing natural and created features on the common areas. The association is also responsible for hiring professionals to develop landscape plans and to design common-land facilities.

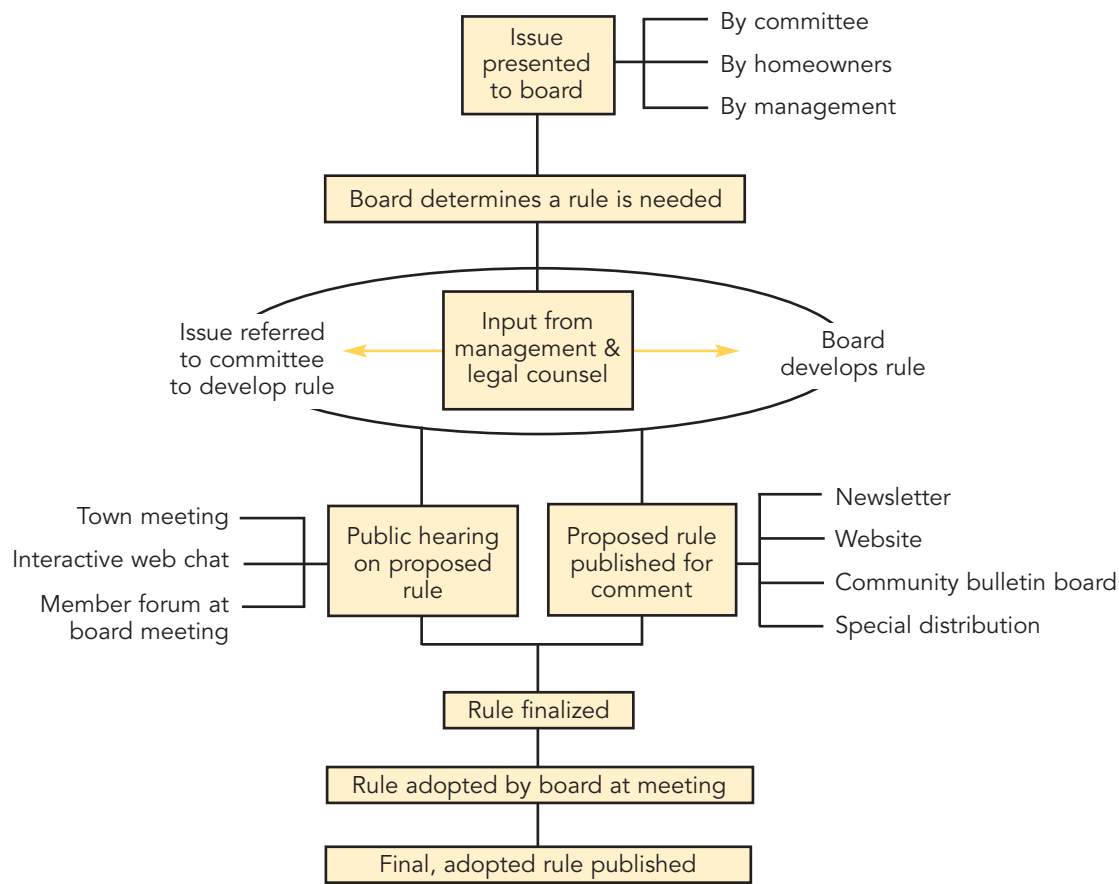
The association urges residents to make suggestions for the development of the common areas; to donate, through the maintenance committee, plants or facilities for the common areas; and to help maintain the lands by removing litter or rubbish from the common areas.

Our investment in the common grounds can be enhanced and maintenance costs kept at a reasonable level if certain rules are followed.

Therefore, the association has set the following rules for common area use:

- Do not plant, cultivate, or harvest natural resources on common grounds.
- Do not place personal structures or store equipment on common areas.
- Do not discard refuse on common grounds.
- Motor-driven vehicles are not permitted on walkways or common grounds.
- Open fires on common grounds are not permitted except where facilities are provided.
- Glass or metal containers other than nursing bottles are not permitted in the tot lots.
- Bicycles are not permitted on common areas except for designated bike paths.
- Loud and boisterous activity on common grounds after dark is not permitted.

Adopting New Rules Flowchart



How to Get the Most from Your CAI Membership

Your CAI membership provides guidance that can help you be successful in your role as a board member. It's up to you to take full advantage of all the resources that are available through the national office and your local chapter.

NATIONAL RESOURCES

Community Associations Press is CAI's publishing division, providing the largest collection of books and videos on community associations available anywhere. You can visit the online bookstore at www.caionline.org/bookstore.cfm or you can call (888) 224-4321 and ask for a free copy of our catalog. As a member, you'll receive 40% off the retail price of your purchases.

Periodicals. CAI publishes a number of periodicals. Some are available partly or solely online.

- *Common Ground* magazine will be mailed to you every other month as part of your membership. You can also read the cover story from each issue on our website.
 - *Minutes*—a bimonthly, electronic newsletter providing insights and solutions specific to the issues and challenges faced by community association volunteer leaders.
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- *Fast Tracks*—a monthly, electronic news bulletin focusing on industry and CAI news, including announcements of resources and services available to CAI members.

The CAI website. www.caionline.org (particularly the Members Only section) gives you instant access to an entire library of free resources.

- **The Center for Community Association Volunteers (CCAV) Resource Center:** Contains free downloadable forms and templates, homeowner orientation information, answers to commonly asked questions regarding governance issues, and more.
- **Best Practices Reports:** Free downloadable reports on energy efficiency, reserve studies, governance, conflict resolution, financial operations, community spirit, strategic planning, and transition from developer control are available online at www.cairf.org/research/bp.html.
- **Reading Room:** Contains excerpts from many of CAI's books and magazines, as well as complete brochures including *An Introduction to Community Association Living*. Available at www.caionline.org/excerpts/index.cfm.
- **Discussion Board:** Provides a medium for CAI members to discuss issues facing communities.
- **Research Library:** Contains thousands of articles on community association issues from CAI periodicals.
- **Advocacy Center:** Provides links to community association related activity by state, such as bills under consideration that affect community associations; information on federal and state legislation and how to contact your legislator on issues of importance to your association; the latest developments affecting community associations from the Federal Communications Commission (FCC), the Federal Emergency Management Agency (FEMA), and other federal agencies; and summaries of cases in which CAI has submitted *amicus curiae* (legal) briefs and how you can ask CAI to get involved in a case.

- **Directories:** Credentialed Professionals and National Service Directory (product and service providers).
- **Links to other websites:** Non-profit and government sites relevant to community associations, member websites, chapters, and affiliated sites like the Foundation for Community Association Research and National Board of Certification for Community Association Managers.

VOLUNTEER LEADER AND HOMEOWNER EDUCATION PROGRAMS

Through its Community Volunteer Leadership Development Program, the Center for Community Association Volunteers offers four levels of homeowner education programs:

Level 1: Primer Download this primer, An Introduction to Community Association Living, and learn about the key documents that govern community associations, the function of association boards, and what to expect from community managers. Visit CAI's online Reading Room for your copy of this manual.

Level 2: Fundamentals Fundamentals is a free, interactive online course available to all volunteer leader members. To take the course, visit www.caionline.org/about/leadership.cfm.

Level 3: Essentials

Level 4: Selected Topics in Community Association Leadership

If you are interested in attending one of these local homeowner education programs (levels 3 and 4), contact your local CAI chapter.

Visit www.caionline.org/about/homeowner_education.cfm for more information about homeowner and volunteer leader education.

Conferences

National conferences and seminars provide education and networking opportunities for community association managers, volunteer leaders, and professionals such as management company executives, lawyers, accountants, reserve study providers, insurance professionals, and other interested stakeholders.

LEGISLATIVE ACTION COMMITTEES

CAI's Legislative Action Committees (LAC) represent the broad interests of CAI with respect to legislative and regulatory issues that can affect community associations.

CAI LACs are active in 27 states, and some have their own websites. For more information, contact the chapter nearest you or visit www.caionline.org/govt/advoc/state/index.cfm.

CHAPTER RESOURCES

Community Associations Institute has 55 chapters throughout the United States, and each chapter has its own menu of programs and services. A complete list of chapters can be accessed online at www.caionline.org/about/aboutchap.cfm. A link is provided to each chapter website where you can find more information, including:

- Events and local education seminars
- Membership directories
- Newsletters and magazines
- Products and services
- Communication with local legislatures on issues affecting community associations
- Local public relations and community service campaigns
- Forums for the exchange of professional information

CREATE A CULTURE OF COMPETENCE

Getting your entire board connected to CAI is the best way to ensure your board is making informed decisions. CAI will keep you informed of the issues and trends that affect you, your board and your community. Visit our website at www.caionline.org or call CAI Direct at (888) 224-4321 (M–F, 9–6:30 ET) to sign up other board members or others who might benefit from our tools, resources, and expertise.

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