

WELCOME TO THE BOARD
NEW BOARD MEMBER INFORMATION

Prepared by



Imagineers, LLC

635 Farmington Ave.
Hartford, CT 06105-2999
860-247-2318
Fax 860-236-3951

249 West Street
Seymour, CT 06483-2650
203-463-3200
Fax 203-463-3299

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635 Farmington Ave., Hartford, CT 06105-2999
Tel:860-247-2318 - Fax: 860-236-3951
249 West Street, Seymour, CT 06483-2650
Tel: 203-463-3200 - Fax: 203-463-3299
www.imagineersllc.com/

WELCOME TO THE BOARD

Congratulations, you have recently been elected to the Board of Directors of your condominium/homeowners association. You have been empowered to participate in the decision making process which will affect you, your neighbor and everyone in your community.

The attached information has been provided by Imagineers and is the culmination of many years of experiences within the property management field. We currently serve approximately 125 associations throughout the state of Connecticut representing 13,000 units. They are condominium associations, homeowner associations, planned unit developments, special service districts, special taxing districts, currently under development, etc.

We serve our clients from two office locations; Hartford and Seymour and have assigned a Property Manager and his/her Administrative Assistant from those locations. The Accounting staff members perform their work from the Hartford office.

In this discussion, we will review how and why you became a member of the Board, what we feel your duties will be, your major concerns as a Board member, some of the pitfalls you will run into, and finally assist in your decision to determine whether to run for an additional term in office.

Most people within your community do not have an active desire to participate. Most simply buy their unit, move in, and let someone else worry about the administration of the organization. Congratulations as you have decided to stand up speak out and are determined to actively participate in the future success of your community.

PART 1 - HOW AND WHY YOU GOT HERE

In this section, we will discuss characteristics of your community and you as a Board member.

- ***What is a Community/Homeowner Association.***

A community association is the organization that operates condominium or similar property, which can consist of a high rise, garden style complex, townhouses, single family homes, or combinations thereof. The distinguishing feature is that the residents either own or use something in common and the community association runs it for them as members.

The Association is likely a corporation under and governed by the State of Connecticut as outlined in the Association's By-laws commonly referred to in this business as "Condo Docs". The Condo Docs are likely to include Articles of Incorporation, Rules and Regulations and other governing information. If your Association was constructed after 1984, the Condo Docs of many Associations look the same as they are derived from the Common Interest Ownership Act ("CIOA").

CIOA (as set forth in Chapter 828 of Title 47 of the Connecticut General Statutes) states among other things, that each unit owner becomes a member of the community association when he/she buy their home. The owners, in turn, elect a Board of Directors, whose authority is detailed within the Condo Docs.

The Board has the responsibility of operating the community, which in many cases represents millions of dollars and likely unit owners' largest personal asset. The Board will annually determine how to spend thousands of dollars, while recognizing those decisions will likely affect property values.

- ***What led you to become a Board member***

In the case of a new Board, you may have been selected or encouraged by the developer. When the developer forms the Board, he/she may have many interests in mind, yet the likely primary interest would be to sell the remaining units. To do so, the Board, which at the time is comprised of homeowners PLUS the developer, will need to start building effective working relationships.

This situation is more difficult to navigate than an existing Board of Directors, more difficult for individual homeowners and more difficult for professional management companies.

If you ran for a seat on an existing Board of Directors, that shows you are among the group that truly cares. This group represents a minority of homeowners, as most Boards of associations are in fact less than 5-10% of total homeowners.

From our experiences, we see Board representations being sought for the following reasons:

- Maintenance issues
- Concern for assessment history
- Perceived careless spending
- Dissatisfaction with rules, regulations or how amenities are being managed
- Lastly, many homeowners think they can do a better job than the existing Board

Personal motivations exist as well. You may feel a sense of responsibility to do something for yourself and fellow community members to make association living more pleasant. You may have a desire to protect your investment in the community. Some individuals admit to the feeling of power that being on the Board brings. Power is an important part of the Board, yet needs to be monitored carefully. You may apply only as much power as the community public opinion will tolerate, along with what the laws of the State will allow.

The Board cannot pass or enforce rules that are illegal. Your association Bylaws and Regulations along with State Statute dictate procedures for changing policies, rules, etc.

Therefore, as you can see, there are many reasons why community members stand up, be counted and truly make the tough decision to represent their interests, as well as their neighbors' interests.

- ***What to do first?***

Let's consider what actions to take if you expect to be a Board member who contributes, survives and obtains satisfaction from the experience.

Task number 1 is to read (and re-read two more times) the Declarations and Bylaws (Condo Docs) of your community. They are analogous to state charters of municipal governments. They outline what you can and cannot do as a member of a Board of Directors within the community. In addition, obtain a copy of Chapter 828 of the Connecticut General Statutes which will also provide guidance on community living.

It is worth mentioning, the provisions in the Condo Docs can be changed; however, the process (outlined within the documents) is likely lengthy and complicated requiring notices and votes of the community. We have seen too many occasions where new Board members simply feel that they now have a vote and can made whatever alterations they wish; that is not the case. Having said that, your best position should be to accept the existing provisions as written and expect to abide by those provisions, at least for the near term.

Additionally, Rules and Regulations should also be reviewed and understood. They are different that the Bylaws and have been adopted/approved over the years by the previous/existing Board members. All owners are expected to a) know the Rules and Regulations and b) abide by them. As a Board member, there is the perception of a higher standard; you should lead by example and follow these guidelines.

Task 2 is to determine where things stand. Reviewing financial information, audits, tax returns, maintenance expenditures, capital reserve plans, assessment histories, previous years' budgets, etc. are all areas where you should focus your efforts. Additionally, you should obtain information about your colleague Board members; What are their occupations? What are there backgrounds, skill sets and talents? What are their personality traits/characteristics and their strengths and weaknesses? Many communities have business biographies or resumes of Board members.

Task 3, upon obtaining a clear understanding of the community's financial health; you should then become familiar with the preferred vendor/contractor list of the community. The characteristics (annual contract size, longevity of relationship, key contacts, after hours/emergency history, etc) of the vendor relationships such as landscaping, snow, electrical, plumbing, painting, insurance, carpentry, among others, should be known.

Thereafter, you can begin your attempts in understanding the areas of concern for Board members through discussions with existing and former Board members, reviews of previous meeting minutes and reports from management. You should be aware that minutes of a Board meeting are not "notes of a Board meeting" and may not contain confidential details, which you would obtain through discussions with fellow Board members.

- ***What you will need to learn***

Few homeowners are familiar with their association's operations, thus when you as a homeowner become a Board member, there are many areas where you should focus your attention. Chances are you know little of the Declarations, Rules and Regulations, budgeting, costs and Bylaws of your community.

What there is to learn depends, in large part on the following, among others:

- Size and age of the community
- Construction type and number of structures
- Recreation facilities and amenities
- Nature of homeowners

Perhaps the most important element to recognize is the homeowner's character. It will help to know what is on the minds of the members living in the association,

particularly when making decisions which are in the best interest of the community at large.

- ***Characteristics of successful board members***

Irrespective of how you were elected to the Board, you should possess a number of personal characteristics to make the job a success, some of which are:

- Relatively calm temperament to assist you in getting through the rough spots you WILL encounter
- The ability to get along with others
- Forward thinking (more long-term than short-term)
- Impartiality and objectiveness will be critical
- Courage to “do the right thing”
- Ability to make rational, sound business decisions
- You should expect criticism

There are some Board members who attend meetings and contribute little, while there are Board members who dominate meetings. Each case is unproductive unless balanced against one another. Without equal representation on the Board, the entire Board’s authority is likely to be undermined.

Our experiences have shown, successful Boards of Directors’ have members from all walk of life, each of whom bring a distinct skill set, and when combined with all members, produces a unified TEAM to make the sometimes difficult decisions that accompany association living.

- ***Be prepared to make sacrifices***

Since you have decided to run for election, and have succeeded in becoming a Board member, chances are you have already determined that there will be sacrifices. Likely the largest sacrifice you are expected to make is time. Dependent upon size of the community and number of colleague Board members, be prepared to spend as much as 2-3 hours per week on Association business.

The second most significant sacrifice you should expect is that at times, you may also discover that being on the Board puts you on opposite sides of the fence from your neighbors. You will find yourself in a position making what some would consider unpopular decisions, which may in fact be necessary for the benefit of the entire community.

- ***Summary of How and Why You Got Here***

Generally, as the Board gains experience over successive terms, its performance improves and members gain satisfaction for serving. The first Board has issues dealing with transition from the developer, many of which are one time issues, yet difficult to navigate. This Board tends to be “by the book”, and makes strict interpretations of existing Bylaws, rules and regulations.

The second Board may swing the other way and loosen up on certain items. What happens in these cases, is things are “smoothed over”, with not much attention to day to day operations of the community. As a result, operating expenses exceed budgeted guidelines and special assessments become necessary. That makes this Board unpopular and may discourage Board members and homeowners.

The following Boards are occasionally made up of owners angered by the previous Board and this group tends to feel they can cut costs across all financial lines, usually with very little knowledge of actual operating expenses.

The most successful Boards tend to be comprised of the best members of all previous Boards. These members come in and out of the selection process and become the cohesive unit that stabilizes the operation of the community.

We feel if Board members know exactly what they are getting themselves into, the makeup of the Board would change little over time as Board seats would continually be filled by characteristics and traits rather than by names of homeowners.

PART 2 - WHAT YOU SHOULD KNOW ABOUT YOUR RESPONSIBILITIES

In this section, we will discuss the composition of successful Boards, and how each member is an integral part to the Community’s success.

In addition to knowing what the individual responsibilities are of each contributing Board member, we would point out that the Association should in fact consider becoming a member of the Community Association Institute (“CAI”). This is a national organization of homeowners, with local/regional chapters who sponsor training session throughout the year, which some association have deemed valuable to their members.

- ***The Role of the Board President***

The Board President is responsible for running the meetings. He or she may actively do so, or delegate the authority, but at the end of the day, it is his/her responsibility to run the meeting and more often than not, this person determines more than others, how effective the board will be in discharging their responsibilities.

Often the board meeting becomes unproductive because the President does not control the meeting or lacks a sense of priorities. The board might spend 30 minutes discussing how to repair chimney flashing or how to curb pets, while a good President will dispose of these matters in short order, and get back to the business of running a business.

- ***The Role of the Board Vice-President***

In the absence of the President, or in the event of his or her inability or refusal to act, the Vice President shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions on, the President.

The Vice President shall have other powers and perform such other duties as may be prescribed by law, by the articles of incorporation, or by these bylaws, or as may be prescribed by the Board of Directors.

- ***The Role of the Board Treasurer***

The Board Treasurer is responsible for reviewing financial information. He or she should have enough educational or professional background to allow adequate knowledge during the review process. He or she may also be responsible for signing expenditures or providing approval to sign.

A common pitfall Treasurer's make is spending inadequate time on long range planning for capital projects and finances to pay for those projects, yet spends inordinate amount of time scrutinizing the accuracy of immaterial financial expenditures. An effective Treasurer can easily assess financial statement integrity, determine levels of materiality (since all members are volunteering their time and spending too much time on "the little stuff" does not yield much benefit), and act upon those annually approved budgets.

- ***The Role of the Board Secretary***

The Board Secretary has primary responsibility over the minutes of Board meetings. Again, minutes of Board meetings should not be "notes" of the Board meeting. There are proper steps to adhere to in calling for action/voting and the Board minutes are the place that these actions are documented.

A meeting minutes book should be kept for all meetings and these minutes are available for ALL homeowners to review should they wish to do so. That said, there are certain confidential matters such as collection efforts, legal proceedings, etc that should be discussed in Executive Session portion of board meetings. We recommend you seek advice from association counsel as it relates to how those items are documented.

- ***Boards which operate effectively***

The most effective Boards operate as a governing body which set policy while being mindful of not getting involved in the day-to-day operations. The board determines the way in which it wants to run the property on behalf of all owners. Thereafter, the Board hires and contracts with vendors and professionals to carry out those policies.

Keep in mind, the contracts entered into are between vendors/professionals and the Association. Your management company may sign the contracts, but they do so as AGENT for the Association. The decision to hire and fire, enter and exit is solely a Board decision. The management company does not have a vote just as the residents represented by the Board do not have a vote; Board members do.

When board members get involved in the daily management of the community, there will be problems. Once board members become involved at that level, it will not be long before individual homeowners start calling (or knocking on your door) with their problems. Further, you may be directly blamed when things go wrong.

We feel the associations who keep policy making and the administration of those policies separate are the more effectively managed communities.

PART 3 - WHAT ARE YOUR FUNCTIONS

Now that you have determined why you have decided to seek a position on the Board, you have done your “homework” and we have touched upon what the Board’s role is, let’s discuss specific areas where Board members will spend time.

- ***Contracts***
Boards have the final authority when determining which vendors gets hired to perform services. Board members sign contracts and should therefore be familiar with language contained therein. For a medium sized (less than 120 units) community, the number of contracts in place is actually a small number. They are likely:
 - Management
 - Insurance
 - Landscape/snow
 - Trash removal
 - Utilities

Contracts are the area where most Boards do not have the industry background to manage without the assistance of a professional management company. Remember, you and your colleagues Board members are volunteers, and we have already discussed the fact that you should be “setting policy”. Depending upon the size of your community, a management company will be hired to be responsible for implementing those policies.

Contracts have expiration dates, termination clauses and usually contain language that will need to be reviewed by someone with industry experience. Most

contracts have duration of at least one year, thus the Board has limited opportunity to ensure these contracts are as accurate as possible, principally as it relates to establishing service expectations.

The insurance area is important in a few regards. The Board members should be covered by Directors and Officers' insurance while at the same time the replacement costs of the community need to be considered when evaluating coverage and deductibles. In addition, if Associations' have employees, insurance benefits and workers' compensation issues may exist.

The insurance arena is difficult to navigate for someone with limited understanding; therefore, encouraging your insurance agent to attend a meeting of the Board or its homeowners is a good idea.

- ***Communication***

Boards who communicate effectively to the community at large are generally more successful than those who do not. The communication can be in the form of a newsletter, website, annual meetings and more often, open forum community meetings.

Previously mentioned was the possible stigma attached to Board members, in that they are on the Board for personal interests only. Thus, the community at large may in fact view the Board as a dictatorial body. Generally, association members wish to hear news from their elected Boards; good news or bad news.

- ***Rules and Regulations***

An area where enormous amounts of time can be spent by Board members is rules and regulations. The standard employed in the establishment of rules is "reasonable business judgment". If the rule makes reasonable business sense and most importantly, can be enforced, these rules will benefit the entire community. Rules which are not enforced are useless, and actually may be harmful if owners feel other rules will not be enforced either.

Once rules are voted upon and put into practice, it is important that ALL board members support the rule. If owners determine the Board was split on an issue, there will be problems. Boards must present a 100% unified front to their community.

- ***Committees***

Committees can be valuable to board members as they are usually comprised of interested owners, and the committee can serve as experience for future Board members. Pitfalls to avoid are the establishment of too many committees and the false empowerment of those members.

Finance, Grounds/Buildings, Social, Rules are examples of committees where selected members can consist of board members and owners. Ensure these committees and its members understand their role as advisory, they do not establish policy. For example, the current year's budget contains \$5,000 in landscape improvements. The Grounds Committee may be asked to research plantings and report to the Board with their committee's recommendation for the expenditure. The Board will ultimately decide whether to incur the obligation.

- ***Finances***

A common mistake made by Board members is fiscal management for the short term without adequate consideration for the long term. Many board members feel their primary purpose is to keep common fees as low as possible. While that objective can always be achieved, services will suffer, maintenance will be deferred, and resale values will be adversely affected. Further, future board members will not be provided adequate finances to effectively operate the business; and yes, it is a business you are running.

Monthly review of the association's financial statements is merely a portion of the financial responsibility held by Board members. Other responsibilities to be considered are:

- Review of actual and budgeted expenditures
- Review of audited financial statements and tax filings
- Preparation of short term (annual) projects lists as well as long term (2-10-15 years) capital reserve budgets.

Budgeting is a critical part of effectively managing the association and boards with finance experience/backgrounds are generally better fiscally operated than boards without.

One area where boards should spend time is producing the annual list of projects they wish to complete. This list should be monitored each year and should serve as the basis for ensuring maintenance items do not get deferred for too many years.

Fiscal planning for the long term health of the community is a critical area where many people simply do not spend effort because they feel they "won't be here in 15 years". Well, that is a monumental mistake made by too many boards. Whether your owners will be here in 1, 2, 3, 10, even 20 years has little to do with the fact that each and every one of them USED the roads to drive on today, and received the benefits of roofs, siding, windows, etc.

Effective boards recognize the relationship between keeping costs low and increasing values of their homes. It is a very difficult balancing act, one that works best with practice, experience, and hard work.

- ***Monthly Common Fees vs. Assessments***

In well operated communities, this discussion does not occur often, and when it does, it is considered and decided upon with ease. As a general rule, if budget overruns can be ascribed to a specific project, event or cost, it is more effective to special assess the entire community rather than fund the shortfall from either current operations or reserve monies.

In recent years, utility costs have skyrocketed, while the New England winters have also been pretty brutal. Overruns in these areas are best dealt with a) immediately and b) through the use of a special assessment. Just because the snow removal costs are \$10,000 over budget because snowfalls this year were significant does not mean that \$10,000 should be “cut” from other budgeted items. It may turn out that the costs savings can be generated on other line items, but those instances are rare.

Keep in mind, financial information is always considered when buyers do their research on condominium living. You may think you are doing a great job keeping costs down, which may have resulted in low reserve balances in cash, which will ultimately be reflected in discounted selling prices of units, because potential buyers will figure out low reserve monies today equal larger common fees and assessment tomorrow.

Boards of Directors’ which consist of equally balanced members who volunteer their time to successfully assist in managing contracts, vendors, committees, and finances are often rewarded by long standing relationships from within and without the community.

PART 4 - THE POLITICS OF THE BOARD

Now that we have discussed why you have decided to seek a position on the Board, as well as what you will be spending “management” time on, let’s now discuss areas which may require just as much time, and although necessary, may not produce visible results.

A common pitfall is to discount the following items out of hand, when in actuality, the “audience” members raising these issues are the constituents who may have participated in your selection to the Board.

- ***Board voting and approvals***

Instances may arise where you find yourself in the minority on the Board; always voicing an opinion to the contrary and always feeling like it is you against everyone else. When these cases present themselves, the first course of action should be to ask yourself why you are on the Board in the first place. You may

have been elected to “sway the majority” into changing their views. If your views are reasonable, if you remain patient and consistent with your position, conflicting viewpoints are often catalysts for positive change.

One important item to consider is that the voting process within the Board is final and conclusive. Majority wins and unanimity is not required. Too much time is wasted in meetings trying to get all to agree. You are better served discussing the issue, voting on it, ensuring the minutes are accurately reflected and moving on to the next item of business.

Yet once the Board has voted and opined on a matter, stand together as a group even if you were outvoted. Expecting possible conflicts is mandatory; all members within the homeowner association/community do not agree on all issues, it is foolish to think all Board members will.

- ***Complaining Community Members***

Board members are often presented with an individual member or group of members who feel it is their job to critique each and every area of the community. Board members should not feel threatened or get defensive.

The most successful manner in which to deal with issues/complaints is to require all items are put in writing. This will likely reduce the number of complaints significantly, if members are not interested in putting their issues on paper, they must not have been that important. Upon review the board should invite the complainant to the next meeting for a hearing. The request to have the information in writing is to ensure a more formal process is undertaken.

- ***Board and Annual Meeting Management***

Written agendas are absolutely critical for the management of a meeting. The Board must have a strong personality who carries the meeting and the outline of the rules of a Board meeting should be expressed to new attendees. Be mindful of the fact that some members of the community have never been to a Board meeting and do not necessarily understand the rules.

The Board has a responsibility to take action on certain items in each meeting. Spending 30 minutes talking about violation letters is less meaningful than spending 30 minutes on voting on a multi-year assessment for repairing all the roofs in the community. However, both sessions of 30 minutes may be necessary.

You should always consider the fact that you and your colleague Board members have taken the important step of volunteering and were elected to the Board. If owners are abusive, constant complainers, or often critical of Board action, ask them to become a member of the board and really affect change.

Board meetings should be timed so as to ensure volunteer members are spending time wisely. There are not too many situations that exist whereby Board meetings need to exceed 90 minutes.

CONCLUSION

We have walked through the following:

- How and why you are on the Board
- What you should know about being on the Board
- What are your functions as a Board member
- Some of the politics of your association

If your association is fortunate, your Board consists of concerned members of the community, with diverse backgrounds, each with an area of expertise, that are all moving in the same general direction. Should the Board not meet those criteria, it can always make positive strides.

You are to establish policy and ensure the implementation of those policies is performed in a professional, reasonable manner. The Board of Directors' at General Electric do not know how to make a refrigerator or oven; the Board of Directors' at IBM or Microsoft have no idea how to make a computer or a chip. However, those Boards along with other successful Boards have the ability to communicate their vision, responsibly put together a business plan, and ensure professional managers implement those plans.

Board members are elected officials who are responsible for the operation of a not for profit Connecticut corporation. When situations present themselves where tough decisions need to be made, you best be prepared to make them. When situations present themselves where you need expertise, you best be prepared to seek that expertise.

You have made the important step in becoming involved in the affairs of your community. You are in the minority as less than 5% of all community homeowners are represented on voting Boards of Directors. If you take this responsibility seriously, recognizing the sacrifices to be made, work hard with your neighbor Board members, the experience will be a positive and rewarding.

Now, let's get to work.