

HERFORDSHIRE HOA BOARD GOVERNANCE POLICIES

Speaking with One Voice as Board:

(Adopted May 10, 2011)

Background: for the board to make authoritative decisions it must have a single voice for the community. The strength of the single voice arises from a diversity of viewpoints and intentions and then focusing them into a unified policy. The one-voice principle does not mean that there should be unanimity or lack of diversity on the board. On the contrary, the board must reach out to hear all positions, and from that input decide a policy that best meets the needs of the community. Seldom will a vote be unanimous. Those board members who lose a vote, however, must accept that the board has spoken and that its decision must be implemented as decided and all members must speak as with one-voice.

Policy: The board encourages a diversity of opinions from board members and the community. From that diversity, the board will determine a policy that best serves the needs of a majority of the community. Once the board has voted on the policy, all board members will support the policy as if it was their own so that the board can speak with “one-voice” and show authoritative leadership. (Approved May 10, 2011)

Roles and Responsibilities of Board Members:

(Adopted May 101, 2011)

Background: The Board’s job is to govern on behalf of the community and to set policies that are fair and equitable to a majority of the community in accordance with Utah State law, the CC&Rs and the By-Laws of the Association. In order to do so there are certain expectations placed on board members. Each member of the board has equal authority and powers. The board elected offices and empowers them to act for the board and the community; however the power remains with the board as a body. In order to govern and show leadership there are certain expectations placed on each board member in order to perform their roles and responsibilities. The Board’s direct product is to serve as the link to the community and to set explicit governing policies that direct the community and the property management company in accordance with Utah State Law, the CC&Rs and the By-Laws of the Association.

Policy: Members of the board have the following roles and responsibilities:

1. To be knowledgeable and faithfully follow Utah State Law, and the governing documents of the association.
2. To come prepared to participate responsibly by reading all distributed materials sent out by board officers and members.
3. Represent the entire membership rather than a single constituency.
4. Be responsible for group behavior and productivity.
5. Be a proactive board member, by acting in anticipation of future problems.
6. Honor divergent opinions without being intimidated or offended by them.
7. Use your special expertise to share with the other board members.

8. Tolerate issues that cannot be quickly resolved.
9. Don't tolerate putting off the big issues forever.
10. Support the board's final choices and policies.
11. Don't expect agendas to be built only on your interests
12. The organization is not there for you. Support the chair in board discipline.

Specific Duties and Responsibilities:

- Board members should avoid and disclose any areas where there could be a conflict of interest.
- Confidentiality of board meeting conversations should be strictly maintained so that each board member may speak freely without fear of reprisal.
- Board members should confirm their inability to attend meetings in advance
- Board members who have any new business for discussion should register it with the President at least one week prior to the meeting so that the information can be distributed in advance of the meeting to the entire board. The board may waive this requirement base on a 2/3 vote of those board members present.
- Board members who miss more than 3 meetings during a calendar year may be recommended to the board for possible removal.
- Board members may participate in Board meetings electronically i.e. via teleconference, speakerphone; if so requested in advance of any meeting.

Setting the Board's Agenda

(Adopted May 10, 2011)

Background: Board members have little time in which to do the business of the community. A properly organized agenda reduces board members time and increases the effectiveness of the board in making policies and monitoring the status of the community. The board president is tasked with preparing the board's agenda with input sent to the President at least one week in advance. Board agendas should cover the following topics: 1) Ends Policies (What Benefits, for Whom, at What Cost?); 2) Financial Status Reports; 3) Governance Issues; 4) Property Management Reports and Monitoring; 4) New Business Items; and set the agenda for the following meeting.

Policy: Board Agendas will be determined as follows:

1. All agenda items for Board Meeting and Community Meetings will be sent to the President at least one week before any scheduled meeting. The Board President is empowered to flesh out the details.
2. Agenda items will include the following items: 1) Ends (Desired Results) Policies 2) Governance Issues 3) Property Management Reports and Monitoring; 4) Financial Status Reports; 5) New Business Items and set the agenda for the following meeting.
3. Adopt the Board Meeting and Community Meeting schedule for a year.

4. Non board members may participate in meetings of the board provided notice is given to the board at least one week in advance. Time should be limited to no more than 10 minutes of the board's time.
5. Items requested for board discussion less than one week before a meeting should be put on the next meeting's agenda and no vote should be expected until the board has time to distribute the information and conduct proper due diligence. (Adopted May 10, 2011)

Fiduciary Responsibility

(Adopted May 10, 2011)

Background: HOA Board's have the responsibility of guarding the financial condition of the HOA to insure that expenditures produce desired outcomes determined by the Board. One of the roles of the board is to be sure that the long-range plan of the community is planned into each year's annual budget. The board also has the responsibility to consider policies that set forth what the Board would consider to be unapprovable expenses.

Fiduciary responsibility includes creating policy in the following areas:

- Annual Budget Policy
 - Background: The Board's responsibility is to first determine what are obligated expenses and costs of operation and administration, plus a maintaining a required Reserve Account. The monthly assessment is determined by dividing the annual budget between the unit owners.
 - Policy: The budgetary process must involve a careful review of past budgets and actual costs for the present year of. This involves an analysis of looking at anticipated costs and an expense, including obtaining competitive bids and quotes (**minimum of two**) for various services. It is appropriate and necessary for the board to consider the amount of money that can reasonably be collected from the homeowners. The amount of monthly assessment must not be so high that it would adversely affect the property values in relation to other associations in the area or cause economic hardship to the owners.
- Long Term Plan Policy
 - Background: The state of Utah requires each HOA to outline a long-term plan for maintaining the common area property of the HOA. (Title 57, Chapter 8, Section 7.5). The HOA can forecast these expenses as a Board or may hire a professional company to make those forecasts. From the forecast, each year the Board must budget funds to cover the expected future costs to maintain the property.
 - Policy: The Board may choose to authorize a group from the community, or hire a professional company to forecast future expenses and maintenance in accordance with Utah Law (57-8-7.5); furthermore, the Board will budget each year not only for current expenses but also for future expenses in accordance with Utah Law (57-8-7.5). The funds budgeted for future expenses are to be placed in a Reserve Account.

- Reserve Account Policy
 - Background: A Reserve Account must be established to assure funding is available for 1) Insurance Deductibles, 2) Emergencies, and 3) Bad Debt.
 - Policy: A minimum threshold amount must be maintained in the Reserve Account to assure funding is available to handle insurance deductibles, emergency and unexpected costs. Additional funding can also be maintained in the Reserve Account to meet the Long Term Plan policy or can be funding through special assessments. The Reserve Account must be reviewed and approved at each Annual Association Meeting. The Reserve Account will only be accessed in accordance with Utah State Law and the Associations governing documents.

- Revenues and Expenses Policy
 - Background: One of the primary fiduciary responsibilities of the HOA Board of Directors is to create a budget that appropriately outlines income and expenses for the community. The annual budget process for the following calendar year will begin no later than in November and should be approved in the December or January Board Meeting and will be approved by the Association at the annual meeting in May.
 - Policy: Estimates for future operating expenses will be determined by the current years expenses adjusted for inflation or by new contractor bids obtained for the coming year. In no case shall the board approve a budget for more money than it receives in any one year unless it is accordance with Utah State Law and the Associations governing documents. In the case of unexpected expenses, the board will determine if a special assessment is needed so that expenses do not exceed income. The Reserve Account will only be accessed in accordance with Utah State Law and the Associations governing documents.

- Unapproved expense policies
 - Background: The board considers policies that set forth what the Board would consider to be unapprovable expenses 1) budgeting and re-budgeting; 2) the actual financial situations as the year progresses. The board then sets a plan for appropriate control over the budget (as opposed to minimum or maximum budget control).
 - Policies:
 - Conservatism in projections (overestimate expenses and underestimate revenues)
 - Governing cash flow (certain times of the year will show increases while other times will show decreases in net operating income)

- Governing the proper use of reserves and determining off-limit resources (in accordance with Utah State Law, and the CC&Rs and the By-Laws of the Association)
- Governing debt (Avoid It!)
- Governing Liquidity (don't run out of money!)
- Determine any special financial obligations
- Monitoring of fiscal management (comparison model - budget versus actual report)
- Monitoring frequency (monthly)