



FirstService
RESIDENTIAL



Successfully **ONBOARDING NEW BOARD MEMBERS**

As a current board member, you should be well versed in your responsibilities — but it probably wasn't that way when you started! New board members can be full of fresh ideas and perspectives but in order for a board to be successful, all members have to be well versed in their roles and responsibilities.

We know that onboarding new board members can be challenging and time consuming. To help, we have created this handy guide to assist you and your new board member with transitioning and acclimation. We encourage you to share this information with your board to help ensure success and a smooth transition.

Regardless of the reason for joining, all new board members need to be educated on board best practices.

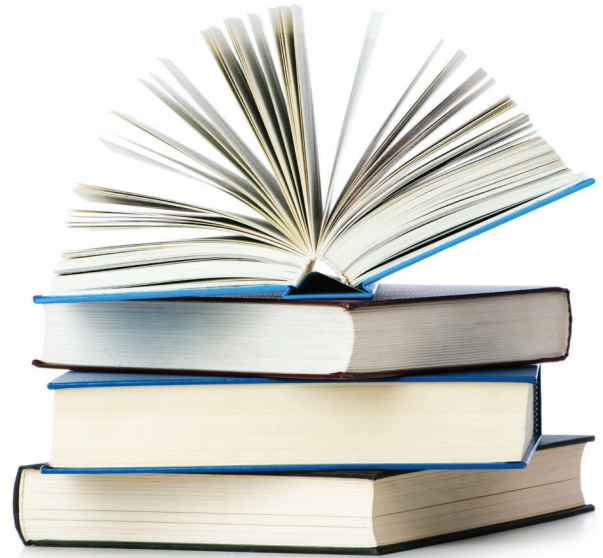
Governing Documents

New board members should quickly become familiar with the building's governing documents. Governing documents exist to protect and guide board members by defining their rights and responsibilities, as well as those of homeowners and shareholders.

These documents will include:

- Articles of incorporation
- Declaration
- Bylaws
- Proprietary lease (co-ops)
- House rules
- Policies and procedures

Governing documents provide a structure for the board to work most effectively, helping to guide the board in their decision making process and supporting operations.



Board Responsibilities

When a new member joins the board, one may assume that the individual understands their responsibilities before taking on the role. But often, that's not the case.

First and foremost, board members should put personal preferences and circumstances aside and take the time to educate themselves and understand the role of the board.

The board is responsible for making decisions and setting policies that:

- Protect the interests of the shareholders
- Maintain and enhance all common areas
- Improve the quality of life for all residents

Additional duties and obligations include:

- Fiduciary obligation
- Duty of loyalty
- Duty of ordinary and reasonable care
- Business judgment rule
- Duty of confidentiality
- Prudent person rule

The primary goal of a board is to always put the interests of the building and residents first.



The Role of Management

New board members commonly enter their positions without a clear understanding of the role of management. The relationship between property management and the board is best described as a partnership where there is alignment on the nuances of each role.

Management companies lend their expertise in a variety of ways, ranging from overseeing customer service to facilitating day-to-day operations. Additional responsibilities include working with the resident manager/superintendent, supervising building staff performance and managing human resources.

Remember, boards set policies and establish a direction for the property. It is management's job to ensure that all policies are implemented.

Management is responsible for:

- Client service and support
- Enforcing policy (e.g., collections, compliance, etc.)
- Board meeting preparation and governance
- Financial management and governance
- Records management
- Vendor management
- Human resource functions
- Coordination of maintenance activities (e.g., building systems, service contracts, etc.)
- Alerting the board if legal assistance is needed
- Advising the board of regulatory issues and compliance requirements (e.g., local laws)
- Coordination of board member communication (e.g., newsletters, meeting notices, etc.)
- Management of accounts payable and receivable
- Working with industry professionals and regulatory agencies (e.g., insurance carriers/brokers, accountants, auditors, etc.)
- Executing delegated officer duties (if required)

RESIDENT COMMUNICATION

Communicating frequently with residents can do more to ensure a board's success than any rule, resolution, or policy that is passed or enacted.

It is essential that the board provides communications to residents through diverse methods (emails, text, newsletters, etc.) and make them available in various settings and places.

Before sending out a piece of communication, ask yourself the following questions:

- What are we (the board) looking to accomplish with this communication?
- Who is the communication directed to?
- When do residents need to receive this communication?
- Is the communication clear and concise, providing all necessary information?

COMMITTEES

Boards can't always accomplish everything that needs to be done by themselves — particularly in larger properties.

Quite frequently, a board will form a committee to oversee special projects or recurring issues. It is important that boards develop clear guidelines for the structure, function and responsibility of each committee. It is strongly recommended that any committee include at least one board member.

Traditionally, there are two types of committees. The first type of committee is task-orientated and will disband after the objective is complete. The second type is a standing committee that remains in place indefinitely to oversee recurring duties.

Board members must be conscious that the committee is comprised of volunteers. It is crucial to keep committee members motivated by focusing on special needs, acting on their recommendations and recognizing members for their efforts.

Remember, committees are not permitted to make decisions; they make recommendations to the board for consideration.





Meetings

THE BOARD MEETING

Most bylaws require a specified number of board meetings each year — and for good reason. A board meeting provides members with the opportunity to address issues in an organized, professional setting. You should aim to keep the meeting under two hours.

At the meeting, a successful board will:

- Make important decisions
- Set policies
- Review operations
- Resolve disputes if necessary and possible
- Plan for the future

Preparation is key for a successful board meeting. Make sure to:

- Review and understand the board package well in advance of the meeting
- Forward and clarify all questions as far in advance as possible
- Follow the agenda and adhere to the allotted timeframe
- Use an 'Action List' produced by management

SPECIAL MEETINGS/TOWN HALL MEETINGS

Occasionally, a need will arise that requires a special meeting or town hall meeting. These meetings differ from board meetings as they are more informal and provide residents the opportunity to give feedback.

Special/Town Hall Meetings are used to:

- Focus on one particular item of concern or interest
- Present sensitive or controversial measures to owners and shareholders
- Garner support for large projects or clarify decisions
- Provide a structured venue for owners and shareholders to express opinions
- Gain valuable insight into the values and “pulse” of the building community

THE ANNUAL MEETING

This is one of the most important meetings of the year and serves many purposes. Most notably, the directors of the board are elected at this meeting. Additionally, reports are made by board officers, management and other professionals when necessary. Formal Q&A is also scheduled during these meetings to answer owner and shareholder questions.

House Rules and Resolutions

Each board creates its own house rules and resolutions to regulate safety, maintenance and other ad hoc concerns for the building through amendments. It is important to note that these rules do not limit or supersede any municipal or government laws, codes, ordinances or regulations. They do not limit the tenant/ shareholder's personal common sense and judgment for health, safety and cleanliness of the premises. House rules may be added to, amended or repealed at any time by the board of directors.

House Rules and Resolutions must be consistent with:

- Declaration of proprietary lease
- Bylaws
- State laws

The Four Types of Resolutions

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

Creating Rules: The Do's and Don'ts

DO MAKE RULES THAT

- ✓ Make sense
- ✓ Restrict as little as possible
- ✓ Are actually needed
- ✓ Are acceptable to residents
- ✓ Residents can easily obey
- ✓ Get the needed result
- ✓ Are enforceable
- ✓ Are legal

DON'T MAKE RULES THAT

- ✗ Try to regulate the personal lives of residents
- ✗ Give in to political pressure
- ✗ Go to extremes
- ✗ Impose harsh consequences for small infractions
- ✗ Act on anonymous, unverified, or unsubstantiated complaints
- ✗ Create new problems

Financial Matters

FINANCES AND RESERVES

Understanding the building's finances is one of the most important responsibilities of each board member.



As a fiduciary, it is essential that you:

- Budget responsibly
- Plan for the future
- Invest wisely

RESERVE FUND/RESERVE STUDY

Reserve funds and studies are established for the future repair or replacement of common elements of a property. Of course, no one wants to raise monthly assessment fees, but it is important to not put off today that which could become a major issue tomorrow. Make sure there is an adequate plan to fund a reserve for future capital improvements.

It is important to:

- Understand the expected useful life of all building systems, the exterior envelope, the need for cosmetic upgrades (e.g. hallways and lobby), and the costs to replace, repair and/or upgrade.
- Develop a 10-year capital improvement plan based on the above that includes the anticipated year of the improvement and costs involved.
- Implement a financial plan that includes one or a combination of current and future reserves, financing or refinancing, assessments and any one-time revenue event that may benefit the building.
- 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 investment. This requires sound financial guidance from qualified advisors.

BUDGETING

The operating budget is a formal financial plan that determines the annual revenue and expenses. It should cover operations and have a contingency plan for reserve funding.

It is important to plan the budget in an objective manner, using information provided by the management company to understand the key drivers impacting that budget and any other variables that may impact income and/or expenses. As a fiduciary to building owners, it is incumbent upon the board to adopt a balanced budget.

New Board Member Checklist

Explain important relationships among the board and the manager, vendors, employees, attorney, etc.

Provide and explain 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

Participate in other educational opportunities offered by the management company



Why FirstService Residential

Going above and beyond the functions of a typical managing agent, FirstService Residential offers their clients a vast array of educational services for board members including:

- Events (capital improvement projects, legal issues, insurance, sustainability, emergency preparedness, etc.)
- Ongoing education for property managers, superintendents/resident managers and board members
- Seminars
- Advisory board round tables
- Informational content

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