



# Successfully ONBOARDING NEW BOARD MEMBERS

**There are many reasons a person may decide to join their building's board. Some may decide to bring their expertise to the board based on their professional background; others may feel that the current board is stale and needs "new blood"; and some have good ideas that can contribute to the overall success of the building.**

Regardless of their reason for joining, new board members need to be educated on board best practices. By doing so, they gain an understanding of their duties and responsibilities of being on the board, the process by which a board works, and the current status of the building. By preparing yourself to be a board member, you position yourself to be an active and positive contributor.

## Governing Documents

New board members should prioritize becoming acquainted with the governing documents. Governing documents exist to protect and guide board members by stating their rights and responsibilities.

### **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 the scope of their responsibilities. But often, that's not the case.

First and foremost, it is essential that board members put their personal preferences and circumstances aside, and focus on educating themselves and understanding the role of the board.

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

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

### **Additional duties and obligations include:**

- Fiduciary Obligation
- Duty of Loyalty
- Duty of Ordinary and Reasonable Care
- Following the guidelines of the Business Judgement Rule
- Duty of Confidentiality
- Following the guidelines for the Prudent Person Rule

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

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## The Role of Management

New board members commonly enter their positions with an unclear understanding of the role of management. Furthermore, a majority of board members have full-time jobs that inhibit a complete focus on the day-to-day operation of the building. 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 the day-to-day operations. Additional responsibilities include working with the resident manager/superintendent, providing human resource administration and support to the building staff.

It is important to remember that boards set policies and establish a direction for the corporation. It is management's job to ensure that all policies and rules are executed and enforced.

### Management is responsible for:

- *Client service and support*
- *Following policy (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)*
- *Oversight of building staff*

## Resident Communication

Communication is the cornerstone of effective customer service. Communicating frequently with residents will do more to ensure a board's success than any rule, resolution, or policy that is passed or enacted.

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

Before sending out any 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. One that is task-orientated and will disband after the objective is complete; the other 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 decisions and set or modify policies
- Review operations
- Resolve quality of life issues if necessary and possible
- Review sale and/or lease alteration applications
- 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

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/owners the opportunity to provide feedback.

Special/Town Hall Meetings are designed to:

- Focus on one particular item of concern or interest
- Present sensitive or controversial measures to residents/owners
- Garner support for large projects or clarify decisions
- Provide a structured venue for residents/owners to express opinions
- Gain valuable insight into the values and “pulse” of the building's 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. A formal Q&A is also scheduled during these meetings to answer any questions that the residents/owners may have.

## House Rules and Resolutions

Each board creates their own house rules and resolutions to regulate safety, maintenance, and other ad hoc concerns for their building through amendments, but it is important to note that these rules do not limit or supersede any municipal or governmental laws, codes, ordinances or regulations; nor do they limit the resident/owners personal judgment for the health, safety and cleanliness of the premises. House rules may be added to, amended, or repealed by the board at any time.

### House Rules and Resolutions must be consistent with:

- Proprietary lease
- Declaration
- Bylaws
- State, city and local laws

Depending on the specific needs and concerns of the residents/owners, the board of directors may make an amendment to the house resolutions.

### 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

## Rules

Making and enforcing rules are important responsibilities that must be undertaken with care.

### 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 activities of residents, but instead about protecting the living environment and property values from disruptive or harmful behavior
- Make compliance easy; keep rules simple and easy to follow

## 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





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## Financial Matters

### Finances and Reserves

As a board member, one of your most important responsibilities is to understand the finances of your condo or co-op.

#### 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 charges with an assessment but it is important to not put off a matter today that may become a major issue tomorrow. Make sure there is an adequate plan to fund a reserve for future capital improvements.

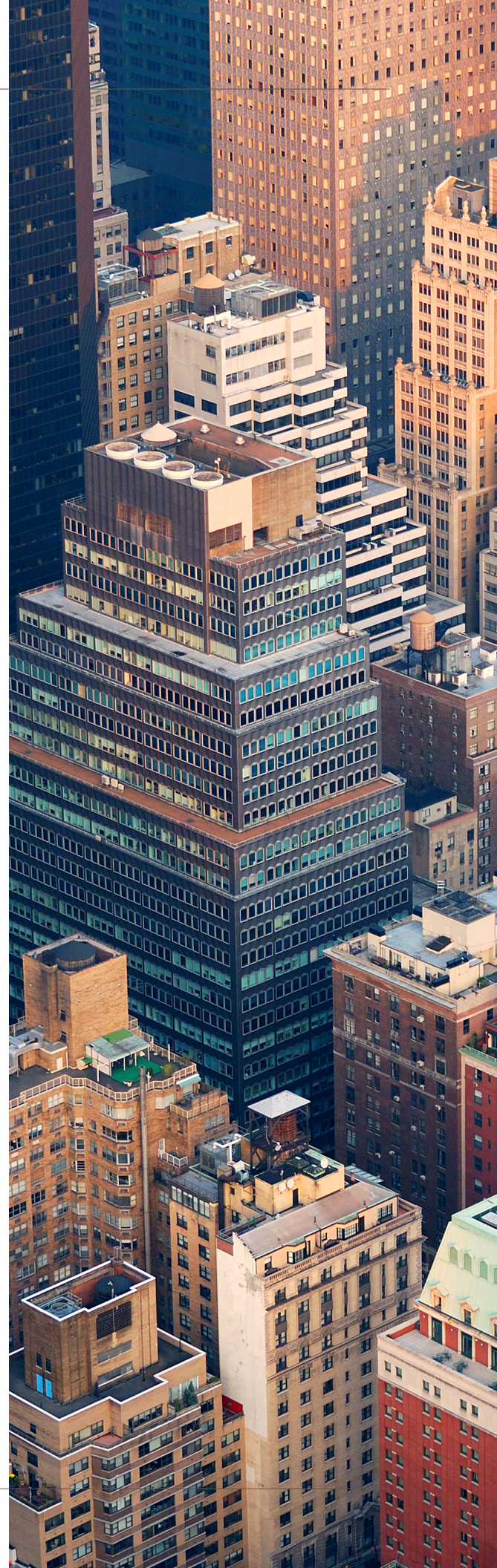
#### It is important to:

- *Understand the expected useful life of all building systems, the exterior envelope and 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, assessment, and any one-time revenue event that may benefit the building.*
- *Reserve funds build up over many years, which makes investment strategies 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 your budget in an objective manner, using information provided by your management company. By doing so, you will be able to understand the key drivers impacting your budget and any other variables that could impact income and/or expenses. As a fiduciary to your owners, it is incumbent upon the board to adopt a balanced budget.



# New Board Member Checklist

- ✓ Explain important relationships between 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 educational opportunities offered by your management company (i.e. Learning Center)



## Being a Board Member

By being a board member you are making a difference, every day, for your property and owners. Even if your neighbors don't articulate it, rest assured they appreciate your hard work.

## 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 including:

- Events (Capital Improvement Projects, Legal Issues, Insurance, Sustainability, Emergency Preparedness, etc.)
- Ongoing education for board members, property managers, superintendents, and resident managers
- Seminars
- Advisory board round tables
- Informational newsletters



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