

**CAI – Wisconsin Chapter Community LEADER  
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**The CAI Board Member Tool Kit**

**Part Three**

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*As you know, the Community Association Institute (CAI) is a national organization dedicated to fostering vibrant, competent, harmonious community associations. In that effort, CAI published “The Board Member Tool Kit” a 120 page manual that provides an overview of Board responsibility and points Boards to the information, tools and resources they need to be successful. It has more than two dozen sample documents and is available through CAI at a nominal cost.*

*I had the privilege of facilitating a seminar a few years ago at which this tool kit was discussed in depth and following is Part Three of a three part summary of information contained in Chapters 11 through 15 of the publication.*

Whether your Association is self managed by volunteers or benefits from the services of professional management, CAI can help you be more proficient and effective as a member of your Association management team. As a Board Member, you are, legally, a corporate Officer, an elected official and a leader, and as such, you are responsible for the successful management of your association. CAI provides education and reference material of all kinds and on most subjects related to the successful management of your community association and, most specifically, how to be the best Board Member you can be.

In Part One I summarized what a Board Members needs to know about Governing Documents (Declaration, Bylaws, Articles, Rules & Resolutions, etc.) and the Roles of the Board, President, Secretary and Treasurer. In Part Two I summarized what a Board Member needs to know about Working with Professional Partners, Meetings, Elections and Finding Volunteers. In this final Part Three I will summarize Finances, Reserves, Selecting Contractors, Communicating with Residents and Rules, as follows:

**Finances**

As a Board Member and Fiduciary, one of your most important duties is to manage the Association’s finances. You must protect the Association assets, budget responsibly, plan for the future and invest wisely. Managers and accountants can help you do so in accordance with your governing documents and applicable laws and regulations, but you are ultimately responsible.

#### Protect cash assets

- Appropriate checks and balances procedures
- Conservative investments
- Fair and consistent collection policy

#### Protect physical assets

- Adequate insurance
- Proper risk management policies
- Timely and proper maintenance.

#### Budget Responsibly

- Be objective and use historical data and careful research
- Be conservative and realistic
- Provide for delinquencies

#### Plan for the future

- Multi-year budget
- Reserve study

#### Laws and Regulations

- Taxes (federal income, sales & use, payroll, unemployment, etc.)
- Fair Debt Collection (Fair Debt Collection Practices Act dictates collection do's and don'ts)

#### Role of Management

- Assessment collection, delinquency oversight, legal action coordination, etc.
- Payables processing, payroll, etc.
- Financial report preparation
- Budget preparation
- Liaison between Board and CPA and Reserve Specialist

The "Tool Kit" includes a Checklist for Safeguarding Association Assets and a Sample Financial Activities Organizational Chart.

Also, CAI offers numerous books, reports and publications devoted to Financial Management.

### **Reserves**

As noted previously, the primary duty of the Board is to protect property value, and that requires the Board to plan ahead for the ultimate, future replacement of large and expensive items such as roofs, siding, asphalt, boilers, common plumbing and the like.

Ideally, such expensive replacements should be funded by reserves. Adequate reserves not only provide for future replacements, they also minimize the need for future special assessments and enhance resale values.

The best way to determine and provide for adequate reserves is through a reserve study, prepared by a reserve specialist. Boards and managers can prepare reserve studies but they lack the depth and accuracy of a professionally prepared reserve study. Once the reserve study is prepared the Board will have a realistic picture of how much money should be put into a reserve fund to pay for future replacements without special assessments.

The reserve study should be shared with the Owners and their input should be requested. In all likelihood, the reserve study will require reserve fund contributions that exceed current contribution levels. Therefore, the Board and Owners will need to analyze the study toward possible reprioritization and timeline revisions, and may need to establish a long term schedule of increased assessments to fully fund the reserve requirements.

Reserves should be invested properly and with the assistance of professional advisors, such as a CPA, Attorney or Investment Counselor, an investment policy should be prepared addressing such things as safety, liquidity, management, etc. Ideally, the investments should be insured and “laddered” to be available when needed.

The “Tool Kit” includes a Sample Investment Policy for you to use for your own Association and CAI publishes an excellent Guide for Association Practitioners (GAP) report that expands upon the subject of how and why Associations need to invest assets to fund future replacements.

### **Selecting Contractors**

As noted previously, one of the primary roles of the Board is to properly maintain the common property and to do so in the best interest of the Association as a whole. To avoid any conflict of interest, no Board Member or relative of a Board Member should be used as a contractor. To ensure proper maintenance, bid specifications should be used. Such specifications will vary depending upon the size and scope of the particular maintenance, repair or replacement service but should address the following:

- Parties to the contract
- Specific work to be completed
- Quantity and quality of materials to be used
- Commencement and completion dates
- Price and payment terms
- Permits, Insurance, warranties
- References

Once the specifications have been completed they should be given to five or six contractors and following an interview or further discussions with the two or three best prospects a contract can be executed with the selected contractor.

Ideally, the contract should be drafted and or reviewed by an attorney but should incorporate terms and conditions that address the minimum specifications and serve the best interest of the Association.

A Sample Landscape Maintenance Contract and Sample Contract Specification Requirements Checklist are included in the “Tool Kit” and CAI publishes a Guide for Association Practitioners (GAP) report on the topic of Bids & Contracts.

### **Communicating with Residents**

Effective communication is key to the successful management of your association and should be frequent, positive and open. It should go both ways and Owner input should be requested, welcomed and acknowledged.

Association communication will take various forms but will most likely be through specific correspondence, newsletters, email or websites.

Correspondence includes

- Rule violation letters
- Thank you letters
- Welcome letters
- General business correspondence

Newsletters can be prepared by the Board, Manager or volunteer but should be scrutinized by the Board as to:

- Audience
- Content
- Presentation
- Design
- Liability

The use of email and websites has become common place and saves everyone time and money by speeding communication and making available electronic copies of governing documents, forms, rules, budgets, newsletters, meeting notices and minutes, association reports and announcements, etc.

As with Newsletters, the Board should have a website policy that scrutinizes the content of the website to ensure that it is honest, fair, unbiased, not self-serving to the webmaster and will not subject the Association to claims of slander and the like. Similarly, an email policy should be created that addresses how the Board will use email for conducting business, voting, etc.

## **Rules**

Simply stated, Rules regulate individual behavior in the best interest of the Association as a whole and effective rules enforcement is crucial to maintaining a pleasant living environment. With few exceptions the Board has the authority and duty to promulgate Rules that comply with and expand upon the provisions of the Declaration and Bylaws. Rules should be adopted only when needed and should be reasonable and easy to understand and comply with.

The Board should work with the Owners and residents to achieve compliance. The Board must make the Rules easily available and should remind the community often as to particular Rules and why they are required. The Board must also enforce the Rules in a fair, prompt and reasonable manner and must do so uniformly and consistently.

Rules enforcement should provide for due process by advising the violator of the violation, the consequences of non-compliance, the violator's right to contest the validity of the violation and the right to legal counsel representation.

A list of Rule Making Do's and Don'ts and sample rules are included in the "Tool Kit" and CAI publishes a Guide for Association Practitioners (GAP) report entitled Drafting Rules that you might find useful.  
participation.

*This concludes my summary of the Board Member Tool Kit, which is available for a nominal cost through the Community Association Institute On-line Bookstore.*