

THE COMMUNITY BUILDER

How Boards Get in Trouble

So now you're on the Board of Directors. Has a pretty good ring to it doesn't it? You've seen some ineffective actions and unjust rulings and you are determined to make a difference; so you volunteered, well maybe you were coerced into running. However, it happened that you gained your seat on the board, it certainly comes with its share of challenges.

As a director, you will need to "agree to disagree" with your fellow board members and still remain neighbors. You will need to be able to reasonably satisfy those owners that voted for you and who are counting on you to be on their side, right?

Being a board member comes with a legal responsibility also known as FIDUCIARY DUTY. As a board member, you must have the ability to look at the situation on the table and make a decision based on what is good for the association as a whole. Difficult decisions have to be made and sometimes they aren't the popular decision. You will need to face your neighbors at the pool, in the gym, at the mailbox, and be able to answer their questions or accept their comments about your decisions. This is all part of the package we call "serving on the board of directors."

How can a board keep itself out of trouble? Read your documents. Read your documents. Did I say Read your Documents?! Know what the state law says and how it integrates with your documents. Many times there are more than one set of laws that must be looked at relative to the type of community in which you live. Listen to the advice you receive from your community manager and other professional consultants. Check with your association's legal counsel on matters outside your field of expertise. Make your decisions based on sound advice and good business judgment, not what you think the owners would like to hear. Don't make promises you can't keep, like no maintenance fee increases next year! Be sure you have proper insurance coverage including a Directors and Officers Insurance Policy. Know who and what is covered under this policy as well as who and what is not.



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The community you represent is a real live "business". It must be treated as such. There is no room for poor financial or poor business decisions. Know the law about your reserves and comply accordingly. Know what the real costs are to run your community and budget accordingly. Imagine how problems will snowball when budgets are underfunded, reserves are inadequate and special assessments are a regular occurrence. This is not the legacy you want to leave as those decisions are specifically yours to make.

Serving on the Board of Directors can be rewarding. Helping to keep your community in good financial standing and good operating condition makes for a more harmonious living environment as well as maintaining the resale values. Working together respectfully and efficiently brings trust and value to the board. Yes, it can be hard work if done properly, but the sense of accomplishment is worth it.

