

UNDERSTANDING THE ROLE OF THE BOARD OF DIRECTORS FOR A COMMUNITY ASSOCIATION

Michael Rome, J.D.

A community association is typically formed as a non-profit corporation. Like any corporation, the association is run by a Board of Directors (the “Board”). The Board is usually made up of a group of homeowners who serve as uncompensated volunteers. Prior to the association being turned over to the homeowners from the developer, the Board is appointed by the developer. This means that the first Directors are usually comprised of the developer and some of his/her employees.

Ideally the Board is the policy making body for the Association, and the day-to-day responsibilities are handled by a management company. (Some communities are simply too small to contract with a management company.) This means that the Board meets to oversee the management of the association and to make decisions by passing motions. All of these motions are kept in the Board minutes.

The Board’s major duties are as follows:

1. Overseeing the enforcement of the Covenants and Rules, including the collection of assessments;
2. Preparing the annual budget;
3. Overseeing the management company, and if self-managed, overseeing all of the vendors, including lawn companies, pool maintenance, accountants, attorneys, etc. ;
4. Overseeing payment of utilities, such as water and electric;
5. Overseeing committees, such as an Architectural Control Committee;
6. Overseeing the maintenance of adequate insurance for the association;
7. Overseeing the payment of state, federal, and possibly, property taxes;
8. Maintaining active corporate status by paying the annual corporate renewal fee;
9. Running the annual member meeting; and
10. Passing any additional rules.

This list is not inclusive, but gives a good feel for the job of a Board member. If a management company is not assisting the Board, then the list would be much longer, and would include sending out violation notices, invoices for dues, etc...

One of the great myths about the Board is that “they don’t do anything.” Actually they do quite a bit, but most of it goes unseen. The same homeowner who claims the Board isn’t doing anything gets a quick awakening if they themselves become a Board member.

Another myth is that the Board is comprised of power hungry bureaucrats, who will slap a fine on you if your grass is one-eighth of an inch too high. This myth is perpetuated by the highly publicized disputes between some homeowners and their Association. These types of Boards are relatively rare. The bigger issue is the occasional Board that does not enforce the covenants or actively collect delinquent assessments. This creates many problems, including not being able to meet budget, and the neighborhood going downhill because the covenants are not enforced.

The Directors have a very difficult job for which they are not paid and rarely thanked. The Board usually consists of people just like you who are concerned enough about their neighborhood to volunteer their efforts and time.

In my next article I will discuss the role of the particular officer positions; such as President, Vice-President, Secretary, and Treasurer.