



# Sample Board Policies and Procedures (The Book Of Governance For Associations)

## The Book Of Governance

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# 1 Introduction

This publication is an accumulation of the Association's policies. We intend that it is a statement of purposes, policies, values, perspectives and relationships. Because of its nature this is intended to be a "work in progress." "Work in progress" in the respect that it will continue to grow and to be modified as better information and values are discovered. The hierarchy of authority begins with the members who make up the association. The expression of the membership can be found through an examination of this publication and the following documents:

- Articles of Incorporation
- Declaration of Covenants, Conditions and Restrictions
- Bylaws
- The Book of Governance - The Association Policies and Rules (contained herein)

It is the intention that this publication serves as a tool. A tool that will organize not only the current leadership but will provides a foundation for the future leaders to respect and to build on. We hope that the future leaders may extend what we have begun.

History of \_\_\_\_\_ Association:  
This is a \_\_\_\_\_ development that began in \_\_\_\_\_. The Association is located \_\_\_\_\_. The Development Company is \_\_\_\_\_. The Associations currently consists of \_\_\_\_\_. There is no longer any developer involvement.

## 2 Mission of \_\_\_\_\_ Association

- To maintain, protect and enhance the value of the homes and the quality of life of the residential community.
- To represent the general welfare of the members.
- To build a community that is based upon principles and values.
- To record and manage this vision through a system of governance that respects this perspective.

# 3 Board Policies - Ends

Mission and the relationship to values, perspectives and objectives:

A core principle for our Board of Directors is to govern the Association through a system that defines the mission or purpose of the Association. Also important is how this mission relates to values, perspective and objectives. Governance includes a concept that uses these statements of purpose (the mission statement) and objectives (the ends).

Definition of Policy:

This "Book of Governance" contains policies. A "Policy" is defined as anything that expresses a "Value, or Perspective that causes Actions." It is through a system of written policies we establish the beliefs, values and objectives of the Association. These statements are the Official Policies.

A purpose of these policies is to provide a clear statement of what we (the members and the leadership) are about; what are our standards, values and perspectives? This provides a means to communicate, organize and focus the resources of the Association.

Book Governance as the Official Record:

The Book of Governance establishes and maintains the "official written record." A record that may be challenged, tested, amended and improved as the body of knowledge, experience and conditions change for the Association. These policies will establish "ends/objectives." These policies recognize ethical practices.

Principle of Separation of Powers:

The role of the Board is to represent the members and to translate the membership's general welfare into policies. The Board will assign the implementation of the Association's policies to Management.

Management shall be the instrument of the Association to effectuate the policies. This principle of "separation of powers" is an important element in this organization.

Safeguards through the Principle Separation of Powers:

Absolute authority will result in the subjective use and abuse of this power. The Association's membership will be protected in a system of governance that requires that the policies of the Association be written. Written records, although there is potential for error, are much less likely to state positions that are contrary to the General Welfare of the members or self serving for any Special Interest. Conflict of Interest is much harder to disguise if written. In a system of governance without written policies is extremely vulnerable to the use of procedures to frustrate ethical values.

Persons in position of leadership rarely are so brazen as to put into writing that they are prejudice in behalf of special interests. A leadership composed of special interests who have the ability through a governance model that grants absolute authority to a Board will use the powers to benefit their special interest. Hence, this is the concept of separation of powers and a system of policies. Policies and laws are conceptually the same.

Definition of Procedures & Means:

Procedures are the means that are used by those given the responsibility of doing a particular function or attaining a particular objective. A good business principle is that procedure making is delegated to those given the responsibility of performing. Procedures define a process or series of steps. A procedure usually contains alternatives depending upon circumstances. Procedures and means used are delegated to the performer.

Example: The means of collecting the assessments is delegated to management. Management determines whether to provide monthly statements; when the statement is prepared; when the funds are due; and how to deposit the funds. The policy is to collect the assessments. The means are those procedures used by the people assigned the job.

#### Professional Standard - Delegation:

The Directors of an Association may rely upon only those individuals who have demonstrated such training, experience and willingness as usual and ordinary for the conduct of a particular activity.

An assignment by an authority such as the Board does not transfer liability or responsibility from the Board. No system of governance may allow the Director to escape responsibility. The members of the Board owe a duty of loyalty to the membership as the result of delegation or assignment of authority which resides in the individual members.

As such, a Board shall require a system of "monitoring and oversight." The Board shall monitor management and shall establish monitoring criteria as part of each policy adopted.

Also, no person is allowed to accept an assignment in which they do not have the necessary credentials to successfully do the assignment. However, it shall be the responsibility of all those who make policy and those who are given a part in the implementation of that policy to seek to comply with these rules.

Performance of tasks and activities related to the implementation of policy shall be by those best qualified. Central to and consistent with this principle is that no system of management or governance will allow for "self regulating" or the exercise of "conflict of interest." It shall be considered a "conflict of interest" for any element of this organization to pass judgement upon themselves.

The delegation function contains the clear statement of objectives, follow-up during the process and evaluation after the completion.

#### Committees Serve at the Pleasure and Direction of the Board:

The duty of a committee is to do research regarding policies under consideration by the Board. Committees will not be self initiating nor shall they serve autonomously. The Committee as a body shall serve at the direction and pleasure of the appointing authority, the Board of Directors.

Also, consistent with professional standards, the Policy Body (the Board of Directors) is required to develop policy statements based upon information derived from others. This principle is extremely important to a system of governance. A system of governance which would allow the Directors to substitute their expertise for that of others, who are qualified, is in conflict with the principle of checks and balances.

A system of governance may not allow individuals to attain authority without restraints. A system of governance should require that policy makers follow certain accepted procedures in their deliberations. Without this restraint on the policy making process we would be confronted by a system of arbitrary and baseless decision making. Directors would be allowed to do anything without the need to justify or support the decision. Those who would proceed without the benefit of the best information will give the worst results. They will be in the practice self interest and conflict of interest. The subjective dilemma is created when anyone reviews their own actions and values.

#### Purpose of Committees:

The function of committees is to assist the Board in doing its job. This has been defined as pre board work. In other words committees are not to be empowered to perform management functions or the delivery of services. The duty of a committee is to support the Board and to work at the direction of the Board. Many Boards have found that committees have been destructive to the

purposes of and directions that the Board wished to set. As such it is important that the appointment of individuals to the committees are not individuals who harbor special interests or seek to serve the community by obtaining certain personal objectives.

Committees should not be given autonomy from the Board to establish policies separate from the Board; nor should the committee be given additional executive authority to implement policies and to devise procedures.

Implementation of policies through the development of procedures and processes should be held separately from the committees and the Board. This is a province of management. Management is as used in this publication is the activity of execution of policy or in other words the "executive branch" of the association.

#### Separation of Powers:

Regardless whether the Board has chosen to have paid staff or not, it is important not to have the policy or legislative body members attempt to discharge both executive duties as well as policy duties. The primary purpose for the separation of powers is that even the best intentioned individuals will not be able to fairly assess themselves. The monitoring and oversight duties are fundamental to the policy making role.

#### Role Distinction Among Committees:

It shall be the policy of the Association to separate the role of the policy recommending committee from the role of overseeing the implementation of a policy. That is, a committee that recommends policy to the Board shall not be the committee that evaluates the efficacy of the policy or the implementation of that policy. The primary purpose is to recognize the need to maintain a separation of powers even in the policy formation process.

#### Committees - Charters:

Each committee shall be empowered upon the adoption by the Board of a Charter. The Charter shall set out the purpose, terms and other facts as the Board deems appropriate. However, no committee of the Association shall be formed until that charter has been adopted by the Board.

#### Chairpersons of a Committee:

Appointment to the position shall be by the Board of Directors. The Chairperson serves at the Pleasure of the Board and may be removed by a majority vote of the members of the Board.

#### Committee Members:

Committee members shall be appointed by the Board of Directors and shall remain a member of the Committee until replaced by an action of the Board or have resigned.

#### Appointment to a Committee:

Any person who is considered for appointment to a committee shall serve without any expectation of personal advantage or personal gain that would be distinct and different from the advantages or interest of the general community. Any member having a conflict shall announce the conflict and shall withdraw from participation in that matter.

#### Adoption and Distribution of Policies:

The policies of the Association will be recorded in the Minutes of the Association and will be the primary expression of the Association's Minutes. It will be the duty of the Chairperson of the Board to convey each policy expression to Management. Management will do that which is necessary and proper to implement the Policies of the Board, including distribution.

#### Code of Ethics

The Board of Directors must assure that the affairs of the Association are conducted in the highest moral and ethical manner. A Director will solemnly accept the duty to protect this standard. A Director will diligently pursue the establishment of a code of ethics and a standard of care which



will prevent harm to those they represent.

#### Board of Directors

A Director will perform the duties of a Director in a manner consistent with the Book of Governance.

Conflict of Interest: As a Director you will not participate in the formation of policy in which a personal or business interest exists. Except; that such conflict, if announced, by that party has been entered into the official records of the Board and a vote by those Directors who are free of any conflict has been in favor of allowing that Director to participate. Directors who vote to allow another Director to participate in the deliberations or voting will personally accept the liability for any act that is judged to be a default of a fiduciary standard.

The Board of Directors will not establish or construct any program or procedure in which a conflict of interest might exist. The Standard of Care will include a process of evaluation that is performed by others as an objective "Check" and "Evaluation Process" of the conduct of the Board and other elements of the Association. Policies will be based upon information derived from sources that are independent and are trustworthy. The Standard of Care for the Board is to strive to maintain the highest ethical values.

#### Leadership:

The ultimate leadership only exists in the Board of Directors. It is the duty of the Board through a constant search for the truth to evaluate values and ends. Utmost in the charge to the leadership is to not compromise the right thing for the expedient, popular or the short term benefit. A duty of the leadership is to accept the charge of finding the correct and right thing and not serving a special interest.

Contrary to many models professed and confessed by professional and petty politicians, compromise of principle and ethics under arguments of pragmatism are merely short cuts to concession and forfeiture of principles. It must be the duty of the Director to passionately explain their view points. Without this honest exchange of differences and the ultimate resolution, the process of values and ethics are not fully developed.

#### Statements of Board Polices - Ends

##### As A Community - Ends:

- \* Quality of Life
- \* Planning for the Future
- \* Outwardly Focused
- \* Providing Organization and Focus for the Determination of Community Plans
- \* Providing Leadership and Statements of Mission

##### As A Government - Ends:

- \* Providing a governance of written laws rather than the caprice of the individual
- \* A safeguard of the public and general membership interest through formalized standards of conduct and proceedings.

##### As a Business - Ends:

- \* To protect, maintain and enhance the values of the assets.
- \* Plan, organize and manage the financial and business affairs.
- \* To assure the development and maintenance of a risk and asset management plan.

Statement of Board Means:

What is meant by Board means are those procedures that the Board employs to do their job of setting policy and monitoring the organization.

As A Community - Board Means:

- \* Conduct of Directors
- \* Individual Rights
- \* General Welfare of the Community

As A Government - Board Means:

- \* Election Rules
- \* Sanctions for Violations
- \* Open Meetings
- \* Open Records

As A Business - Board Means:

- \* Monitoring of Association Policy Compliance
- \* Evaluating Results
- \* Setting of Operational Standards and Expectations

Executive Limitations:

These issues are the limits that are placed on the Association's management. A rule of thumb about Executive Limits is that it states what sorts of things that the Board does not want to happen. These are the limits placed by the Board on management while leaving to management the means so long as those means to not violate these limits.

As A Community - Executive Limitations

- \* What is not acceptable in the relations to the members.
- \* What is not acceptable in relations to public statements to the external world -that is, public relations statements that would not be acceptable.

As A Government - Executive Limitations:

- \* Conflicts of Interest are not acceptable
- \* Other ethical issues

As A Business - Executive Limitations:

- \* Financial Reporting and the Maintenance of the Financial Records shall not violate AICPA Standards for Accounting for Common Interest Realty Associations.
- \* Shall not invest the Association's Funds in a manner that would violate the policy of safety, liquidity and return.
- \* Funding of the Association's Reserves shall not be done through special assessments.
- \* Funds allocated to the reserves on an annual basis shall be placed in the Fund by the end of the fiscal year. If the manager believes that the budgeted reserves will not be deposited by the end of the fiscal year, he or she shall disclose this fact to the Board as soon as reasonably practical.
- \* Management shall not borrow from the Reserves without approval of the Board.
- \* Reserve Expenditures shall be approved by a vote of the Board as soon as practical and usually before the obligation has been incurred.

### Monitoring & Reporting:

#### As A Community - Monitoring & Reporting:

- \* Annual Report to the Members
- \* Statement of Plan versus Actual for the Prior Year
- \* Ongoing reporting through the use of frequent letters.

#### As A Government - Monitoring & Reporting:

- \* Quorum requirements for the conduct of general membership meetings.
- \* Membership reports evaluating Board and Management
- \* Monitoring changing membership needs, populations and other demographics.

#### As A Business - Monitoring & Reporting:

- \* Quarterly Property Values Reports relative to past reports
- \* Statistical evaluations of number of Sales
- \* Association Budget versus Actual Reports

### Physical Maintenance

- \* Common Area Landscaping: The objective is to have the common areas maintained in a condition equal to or better than communities of a similar nature within neighboring residential areas.
- \* Common Area Open Space: It will be the policy of the Association to maintain open space for the general benefit of the members without further development. These areas will be maintained to assure they are in a safe condition. Special attention should be given to maintenance of drainage systems and fire control.
- \* Common Area Recreational Facilities: The objective will be to provide recreational facilities for the exclusive use and benefit of the members and guests of members. Facilities will not be used by nonmembers. It will be necessary to maintain these facilities in a condition of cleanliness and safety consistent with first class facilities. Safety will be a primary consideration.
- \* Private Areas: It will be the duty of each member to maintain those grounds, homes and structures in a first class condition consistent with a standard consistent with the neighborhood and the published Architectural Standards.

### Safety and Security

Statements of Objectives: To protect the members, residents and their invitees while upon the common areas through a development of system of rules and procedures that will attain these objectives.

### Recreational

Statements of Objectives: To provide equal access to the facilities to all members of the Association. These facilities will not be rented to persons who are not members or delegates of the members living within the Association.

### Executive Limitations - Financial

- Investments - Safety, Liquidity and Return: It will be the policy of the Association to invest the cash assets of the Association in a Bank or Savings and Loan or insured Investment Broker qualified to understand the needs of the Association.
- Liquidity; the funds invested will be available consistent with the needs of the Association.
- Return; the funds will be invested in such institutions or instruments with the highest yield consist but subordinate to Safety and Liquidity.
- Assessments/Apportionment of Costs and Delinquency: The assessments will be apportioned equally among all of the members at the commencement of each fiscal year.
- Delinquency: It will be the policy of the Board to review accounts receivable on a monthly basis.

- Financial Reporting: The Board of Directors will cause management to select an independent Certified Public Accountant to perform a review or audit report consistent with law and the governing documents of the Association. These reports will be provided to the Membership. The Board of Directors will review both the operating and reserve funds.
- Debt - Borrowing: The Board of Directors will not borrow any funds from the Associations reserves without first making a finding and review of the pertinent facts as to the need and reason that these funds are necessitated and as allowed.

Financial Planning and Budgeting:

With respect to planning fiscal activities, i.e., budgeting for all or any part of a fiscal period, the Board directs management not to jeopardize either the programmatic or fiscal integrity of the organization. Accordingly, the management may not cause or allow budgeting which:

- Plans to spend more in a fiscal year than the sum of:
  - + revenues projected to be received; and
  - + accumulated cash in excess of reserves.
- Increase projected expenses so that the required assessments are raised except where demonstrably driven by Board's "Ends" policies.
- Allocates funds in a way which materially deviates from priorities established in the Board's "Ends" policies.
- Contains too little detail to enable conservative projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails.

Asset Protection:

Based upon the Board direction, the management must provide proper stewardship of the association's assets and may not risk asset losses beyond those necessary in the normal course of business. Accordingly, management may not:

Fail to insure against theft, property losses to at least 80% replacement value and against liability losses (to board members, staff or the Association itself) beyond an acceptable prudent level.

Subject plant and equipment to improper wear and tear or insufficient maintenance.

Unnecessarily expose the organization, its Board or management to claims of liability.

Make any purchases except in compliance with all applicable laws, prudent purchasing procedures and budgetary guidelines.

Buy, sell or otherwise encumber real property without Board approval.

Invest operating funds in an unsafe manner, always valuing security over yield.

Disburse funds under controls insufficient to meet the Board appointed auditors' standards.

Make purchases from or contracts with anyone in which the management may have any interest, either directly or indirectly. Nor shall management allow any members of their organization to do so.

Take or receive, either directly or indirectly, any money or other thing of value as a means of influencing management's action in their official capacity. Nor shall management allow any staff member to do so. Gifts in excess of \$50 must be reported to the Board through the normal monitoring processes.

Communication and Counsel to the Board:

The Board recognizes the need for ongoing communication and the flow of information to and from the Board for the purposes of providing proper administration and directs management to keep the Board informed of all pertinent issues. Accordingly, management may not:

Let the Board be unaware of relevant trends, public events of the Association, material external and internal changes, particularly changes in the assumptions upon which Board policies have previously been established.

Fail to submit the required monitoring data (see policies on Monitoring Management's Performance) in a timely, accurate and understandable fashion, directly addressing provisions of the Board policies being monitored.

Fail to marshal as many staff and external points of view on issues and options as needed for fully informed Board choices.

Present information in unnecessarily complex or lengthy form.

Environmental Ethic:

The Association has a stewardship responsibility in the management of the land and facilities it controls. This responsibility includes the broad ecological impact of activities and land uses. In recognition of this responsibility, the Manager may not cause or allow any action that creates undue harm to the environment.

Accordingly, the Management may not:

- \* Take actions that do not weigh harm to the natural environment in relation to the value of the action.
- \* Fail to consider the ecological damage involved in properties activities.
- \* Allow any third party to utilize Association resources in a manner that does not give sufficient consideration to the environment.

Public Relations:

The Board recognizes that the trust of the members is the foundation upon which Association is based. As a highly visible representative of the Association, Management may not take any public action which is outside currently stated Board policies or which jeopardizes that trust.

Furthermore, Management:

- \* May not ignore the timely correction of noted (material and/or personal) safety hazards within the properties making up the Association.
- \* May not operate the property in an unsafe manner.

Risk Management Standards

Insurance: It will be the Policy of the Association to have sufficient coverage in policies of insurance in the forms that are ordinary for Associations of this nature.

Deductibles will be a common expense for losses that occur on the properties of the Association subject to certain written exceptions.

Limits of Coverage shall be as is customary and ordinary.

#### Membership Relations

##### New Members - Welcoming:

It will be the policy of the Association that all new members will receive a complete set of the governing documents and this Book of Governance.

##### Resales:

The objective is to provide disclosure of information contained in the following documentation to new or potentially new owners. The costs will be assessed against the existing/selling member.

##### The following are the documents and services provided:

Articles of Incorporation

Declaration of Covenants, Conditions and Restrictions, as amended

Bylaws

Rules and Regulations

Current Financial Report for the period ending the most recent Fiscal Year

Current Budget and Proposed Budget if said transaction is between the date of forty-five (45) days prior to the beginning of the fiscal year and the commencement of the fiscal year.

#### Enforcement:

Bases for Charges or Statement of Infractions

Rights to Notice

Due Process and Other Proceedings

#### Budgets & Assessments:

It will be the policy of the Association to levy assessments upon the membership in sufficient amounts that will pay for the annual expenses and reserves of the Association. The expenses are for services which are necessitated by the scheme Policies of the Association. A Budget will be consistent with the policies and will be brought into conformance with those policies. It is recognized that a budget is a product of policies and does not control policy but rather is the consequence of policies.

Further, it will be the duty of each succeeding Board of Directors to assume the responsibility of funding to the best of their ability items of expense that by their nature are funded through the savings of funds in advance (termed as "reserves") sufficient to avoid "Special Assessments."

Thus, it is a policy objective to have a system of budgets and assessments sufficiently adequate to collect from the members monies to meet the current and long term expenses. Nothing within this policy will be construed that subsequent Boards should be relieved from the responsibility of adjusting the annual apportionment of assessments sufficient to meet the current needs of the Association.

#### Investments:

It shall be the policy of the Association that funds shall be invested with the first importance upon the safety of the principal; liquidity to the degree that it is necessary to meet the currently projected future capital demands; and thirdly with regard the rate of return.

## 4 Board - Procedures

### Parliamentary Procedures - Board Meetings

The meetings of the Board of Directors will be conducted in accordance with Roberts Rules of Order as revised or such other written procedures adopted by the Board of Directors in advance of any meeting.

### Protocol and Conduct of Members:

- \* Members of the Board will conduct themselves in a respectful manner to other members of the Board. They will not publicly or privately ridicule anyone.
- \* A Director will have the right to propose any matter as a priority consideration that may be at a variance to these Policies and Procedures.
- \* A Director will at all times, subsequent to a vote, support the decisions of the majority of the Board regardless of the position that Director has taken at the time of the vote.
- \* A Director will be loyal to the Association and conform to the Association's policies.
- \* A Director will not have private meetings with other members of the Board in which business of the Association is discussed. The principal is that all members of the Board must be privy to all discussions and deliberations of the Board.
- \* No Director will assume or is vested with any authority to direct a member, contractor, agent or employee of the Association. The authority of a Director is limited to the vote upon policies of the Association and participation in the meetings of the Board.
- \* The Board will speak through its Chairperson and its written policies. No member of the Board will have greater powers than another Director.

### Violations and Sanctions:

Any violation will be considered by the Board and sanctions will be considered. Any sanction must be appropriate to the circumstances. However, in the consideration of sanctions, it will be the duty of the Board to report to the membership any infraction of these policies or the Governance of the Association to the membership. In addition it will be each Director's responsibility to assure that these policies are enforced through the mechanisms of the Board.

It will be a violation for a Director to participate in the deliberations of any matter that will be self serving to a degree that they will benefit in a manner differently than the general membership.

A Director will not knowingly promote or advocate that a business associate, relative or they participate in any contract or professional service to the Association.

A Director will notify the members of the Board in all matters that would be a conflict of interest.

A Director will attend meetings of the Board as are necessary to fulfill the duties and responsibilities of the office.

A Director will make such inquiry about the qualification of such sources and research authorities on matters before the Board.

A Director will be prepared.

**Chairperson:**

It will be the duty of the Chairperson of the Board to call and convene meetings of the Board as is necessary. For purposes of this section the President of the Association will act as the Chairperson of meetings of the Board. In the absence of Chairperson the Vice-President will act as the Chairperson.

**Committees of the Association:**

All Committees will be established by the Board of Directors and will be accountable to the Board.

Appointees to a Committee will conform to establish ethical standards. No appointment to a committee will be considered if the appointee has the potential of using the office in a manner that would extend the personal interests of that member or a group of members.

A committee member will not serve to represent the personal interest of any member of the association, group of members or themselves. They will strive to serve the general welfare and interests of all of the members without any consideration of individual benefits.

Committee members will accept the duties of a committee person and will serve so long as they may conform to these Standards of Care and Conduct.

It will be the duty of any appointee to any committee to promptly remove themselves from any deliberation in which would be a conflict of interest or a violation of these Standards of Care and Conduct.

It will be the duty of all Directors to assure that these standards are enforced. As such, it will be the duty of a Director to report any violation of these Standards of Care and Conduct to the Committee Chairperson or to the Board of Directors, as the case requires.

A member of a Committee will be available to perform such tasks and duties as are assigned. It will be the duty of the member of the committee to promptly submit a notice of resignation at any time that he or she finds that they will not be able to fulfill the duties of the position. Included in the consideration is the attendance at meetings, the review and study of matters and reference to authorities on the subject. They will make reasonable inquiry concerning the subject and regarding the trustworthiness of the authority.

**Standing Committees:**

**Architectural Control Committee:** The purpose of the Committee is to review and recommend to the Board Design & Maintenance Standards of those improvements that are within the jurisdiction of the Association. The Committee does not perform any duty which will be executive in nature. The duty of the Committee is to recommend a coherent system of Architectural Standards. These Standards will be adopted or amended by the Board of Directors and distributed to the members.

The administration of Architectural Standards will be separately performed by Management. Management will exercise the authority of the Association to administer these policies.



Management will have the authority to make judgements so long as they are reasonably within the goals and objectives established by these Standards.

**Nominations and Elections Committee:** These committees will have the duty and obligation to choose from eligible candidates the individuals who have demonstrated the highest quality and standards necessary and appropriate for the position. Among the factors that should be considered are: (1) Trustworthiness; (2) Experience in the area; (3) Open Minded; (4) Availability; (5) Conduct themselves in a consistent and diligent manner; (6) Integrity.

**Ad-Hoc Committees:**

Temporary Committees serving the Board to research and recommend policies and alternatives to the Board of Directors.

**Notice of Members of Board Meetings - the Rules of Conduct:**

Members of the Board of Directors will by acceptance of the position of Director agree to comply with these rules of conduct and as more generally provided in this Book of Governance, Roberts Rules of Order, Bylaws and Declaration of Covenants, Conditions and Restrictions. Meetings will be noticed to the members of the Board and will be posted in a prominent place within the community.

**Executive Sessions of the Board - the Rules of Conduct:**

It will be the Policy of Board of Directors to adjourn meetings of the Board to an executive session after announcing in open session the general purpose of the executive session. Executive sessions of the Board will be confidential and no member of the Board will divulge the contents of the discussion without the express approval of a majority of the Board who were in attendance at the meeting.

Further, no decisions of a policy nature effecting the general membership will be made in an executive session. If there is a decision that affects the general membership which by its nature would compromise the ability of the Association to discharge their duties, this decision will be only made in executive sessions if no other means are available.

The Board will at all times comply by CRS 38-33.3-308 as a general statement items in which executive sessions are usual and appropriate includes the following:

- Legal Matters containing information that is privileged and should remain confidential between the affected parties.
- Hearings and disputes between a member and the Association in which the member has requested a closed hearing.
- Contract information and contract negotiations. Normally only the review of proposals and legal specifications and similar items will be conducted in executive sessions, the award of the contract and the basis for the decisions will be subject to a public meeting.

**Hearings, Town Hall Meetings and Workshops of the Board - the Rules of Purpose of Meetings:**

These meetings are for the purpose of gathering information and opinions. The meetings will not be used for the purpose of adopting policies or procedures of the Association. A matter will be deferred to the appropriate authorities, Board or Management.

**Hearings:**

These meetings can be under the direct control of the Board, a standing committee of the Association or a special committee so long as the committee has been authorized in their charter to hold meetings. Notice to hearings will be posted in the same manner as meetings of the Board, except if the Hearing is a Hearing in a matter which would be not open as provided under the provisions of executive meetings; then no such notice will be posted.

Town Hall Meetings:

Will be for the purpose of receiving information from the general membership or to provide answers to the general membership. These meetings will not be a "Membership Meeting" in which decisions will be made or policies established or procedures developed. Notice to said meetings will be posted in the same manner as meetings of the Board.

Parliamentary Procedures - Membership Meetings:

Generally, there will be three (3) types of Membership Meetings: Type 1 is the "Annual Meeting of the Members"; Type 2, Special Membership Meeting called by the Board for the purpose of resolving issues reserved to the membership; Type 3, Special Membership Meeting called by a petition of the membership, as prescribed by the Association's Bylaws.

Chairperson of Membership Meetings:

The President of the Association will act as the Chairperson of all membership meetings. No petition or action of the membership will purport to replace the Chairperson. All official meetings of the Association will be under control of a properly appointed person serving at the direction of the Board of Directors.

Any action or attempted action by members to replace the Chairperson may only be done upon strict adherence to the Bylaws and statutes that control the removal of a member of the Board or the recall of the entire Board of Directors.

Protocol and Conduct of Meetings:

All meetings of the membership in which a vote will be taken must have given at least \_\_\_ days written notice as provided in the Bylaws of the Association of any action or proposed action. It will be a violation of this policy to consider actions at a duly constituted meeting in which a quorum is present if the issue or topic has not been fully disclosed to all of the membership at least \_\_\_ days prior to the meeting or vote. No proxy will be valid unless the matters have been fully disclosed to the member giving the proxy and the right of any member to instruct the proxy holder. It will be presumed that proxies on file with the Association will remain in effect if the proposed information has been provided to each proxy giver at least twenty (20) days before the meeting.

Amendments at a meeting concerning the proposed matter before the membership will not be allowed.

Meetings will be held in accordance with Roberts Rules of Order as amended or such other written procedures adopted by the Board in advance of the meeting.

# 5 Board and Management Relationships

## Delegation to the Management:

To facilitate optimum effectiveness, the Board recognizes the Board's authority to be generally confined to the establishment of policies. The policies established proceed in sequence from the most general toward the more detailed. The implementation and the creation subsidiary policy are the responsibility of Management. A rule of conduct for Management is to fill the void where the Board has not provided policy guidance.

"Results & Priorities" policies direct Management to achieve within acceptable boundaries of prudence and ethics. All Board authority delegated to Management is delegated through the Chair person of the Board to the Senior Management person assigned by the Management Company, so that all authority and accountability of staff can be phrased -- insofar as the Board is concerned -- as authority and accountability of the Management.

- \* The Management is authorized to establish all further policies, make all decisions, take all actions and develop all activities which are true to the Board's policies. The Board may, by extending its policies, "undelegated" areas of the Management's authority, but will respect Management's choices so long as the delegation continues. This does not prevent the Board from obtaining information about activities in the delegated areas.
- \* Only the Board, by majority vote, has authority over Management. Information may be requested by a Board member or committee, but if such request, in the judgement of management, requires a material amount of time, it may be refused.
- \* The Management may not perform, allow or cause to be performed any act which is unlawful, insufficient to meet high standards of business and professional ethics or the "prudent person" test. Management may not violate requirements established by funding sources or regulatory bodies nor act in a manner contrary to explicit Board constraints on executive authority.
- \* Should Management deem it necessary to violate a board policy, Management shall inform the Board. Informing is simply to guarantee no violation may be intentionally kept from the Board, not to request approval. Board response, either approving or disapproving, does not exempt the Management from subsequent board judgement of the action nor does it curtail any executive decision.

## Monitoring Executive/Management Performance:

By monitoring the Management's performance, the Board will be monitoring the Association's performance against Board policies on "Results & Priorities" and on "Executive Limitations." Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.

- \* The purpose of monitoring is simply to determine the degree to which the Board policies are being fulfilled. Information which does not do this will not be considered to be monitoring.
- \* A given policy may be monitored in one or more of three ways:
  - + Executive Report: Disclosure of compliance information to the board from the Management.
  - + External Report: Presentation of compliance information by a disinterested, external auditor, inspector or judge who is selected by and reports directly to the Board. Such reports must assess Management's performance only against policies

of the Board, not of the external party unless the Board has previously indicated that party's opinion to be the standard.

- + Board Member Report: Presentation of compliance information by a board member, a committee of the board or the board as a whole. This is a direct inspection of organization documents, activities or circumstances which allows for a "prudent person" test of policy compliance.

Consistent with the above, facility and service monitoring will be limited to:

- \* Directors, not friends or family;
- \* Association programs, and where there is not a direct monetary outlay of associations funds
- \* Nonpeak usage periods.

Upon a vote of the board, any policy can be monitored by any method at any time. However, each "Results & Priorities" and "Executive Limitation" policy of the board will be classified by the board according to frequency and method of regular monitoring. Those determinations are as follows:

<i>Policy Area</i>	<i>Frequency</i>	<i>Source of Report</i>
Architectural Compliance	Annual	Management Report
Landscape Maintenance	Semi-Annual (August & January)	Management Report
Interim Financial Reports	Quarterly	Management - BalanceSheets, Income & Expense Budget Comparison Reports &Accounts Receivables Reports
Annual Financial Report	Annual	External Source - Independent CPA
Property Values Report	Semi-Annual	External Source - Local Real Estate Brokers

**Necessary & Proper:**

The management will have such authority as is necessary and proper to fulfill the duties expressly defined by the Board and the Governing Documents.

**Executive Authority:**

Management will perform such executive duties that are consistent with the policies and needs of Bettencourt. In the absence of written policies adopted by the Board, management will exercise such judgement that is appropriate in the circumstances.

**Administrative Procedures and Rules:**

It will be the sole responsibility of management to prepare such procedures and rules which are consistent with the Association's Governance and Policies.

**Board & Management Communications:**

It will be the policy and objective of the Board of Directors to adopt such policies and executive limitations as a formal record and to provide the same to Management from time to time. The spokesman to convey this will be the Chairperson of the Board.

**Management's Duty to Report to the Board of Directors:**

The intent of this section is to establish a continuing understanding between the Board and Management on what information that the Manager will provide to the Board. The Board will receive from Management such information which is necessary for the Board to access the attainment of objectives and policies of the Association.

**Board Manager Assessment:**

The Board will review the performance of the manager in a process of comparison of attainment of policy, objectives and executive limitations of the Board. The review of the performance will be done in a manner which is in the best interest of the Association.

**Board Monitoring of Management and Executive Functions:**

It shall be the practice of the Board to establish reporting mechanisms as part of each policy. The policy should contain as part of its statement a schedule of reports and the intention of the reports to cover or measure the performance of the policy.