

SOUTH WILLOW HOMEOWNERS ASSOCIATION INC.
BOARD GOVERNANCE POLICY
(Adopted March 4, 2013)

Speaking with One Voice as a Board:

Background: For the Board to make authoritative decisions it must have a single voice for the community. The strength of the single voice arises from a diversity of viewpoints and intentions and then focusing them into a unified policy. The one-voice principle does not mean that there should be unanimity or lack of diversity on the Board. On the contrary, the Board must reach out to hear all positions, and from that input decide a policy that best meets the needs of the community. Seldom will votes be unanimous. Those Board members who lose a vote, however, must accept that the Board has spoken and that its decision must be implemented as decided and all members must speak as with one-voice.

Policy: The Board encourages a diversity of opinions from Board members and the community. From that diversity, the Board will determine a policy that best serves the needs of a majority of the community. Once the Board has voted on a policy, all members will support the policy as if it was their own so that the Board can speak with “one-voice” and show authoritative leadership.

Roles and Responsibilities of Board Members:

Background: The Board’s job is to govern on behalf of the community and to set policies that are fair and equitable to a majority of the community in accordance with the CC&Rs and By-Laws. In order to do so there are certain expectations placed on Board members. Each member of the Board has equal authority and powers. The Board elected officers and empowers them to act for the Board and the community; however the power remains with the Board as a body. In order to govern and show leadership there are certain expectations placed on each Board member in order to perform their roles and responsibilities. The Board’s direct product is to serve as the link to the community and to set explicit governing policies that direct the community and the property management company in accordance with the CC&Rs and By-Laws.

Policy: Members of the Board have the following roles and responsibilities:

1. To come prepared to participate responsibly by reading all distributed materials sent out by Board officers and members.
2. Represent the entire membership rather than a single constituency.
3. Be responsible for group behavior and productivity.
4. Be a proactive Board member.
5. Honor divergent opinions without being intimidated or offended by them.
6. Use your special expertise to share with the other Board members.
7. Think upward and outward more than downward and inward.
8. Tolerate issues that cannot be quickly solved.
9. Don’t tolerate putting off the big issues forever.
10. Support the Board’s final choices and policies.

11. Don't expect agendas to be built only on your interests.
12. Behave in a professional manner at all times when dealing with other Board members, residents, contractors and the property management company. Unprofessional behavior, including the use of intimidation tactics, will not be tolerated.

Specific Duties and Responsibilities:

1. Board members should avoid and disclose any areas where there could be a conflict of interest.
2. Confidentiality of Board meeting conversations should be strictly maintained so that each Board member may speak freely without fear of reprisal.
3. Board members should confirm their inability to attend meetings in advance.
4. Board members who have any new business for discussion should register it with the Secretary at least one week prior to the meeting so that the information can be distributed in advance of the meeting to the entire Board. The Board may waive this requirement based on a 2/3 vote of those Board members present.
5. Board members who miss more than three (3) meetings during a calendar year may be recommended to the Board for possible removal.
6. Board members may participate in Board meetings electronically, via teleconference, if so requested in advance of any meeting.

Setting the Board's Agenda:

Background: Board members have precious little time in which to do the business of the community. A properly organized agenda reduces Board members' time and increases the effectiveness of the Board in making policies and monitoring the status of the community. The Board Secretary is tasked with preparing the Board agenda with input sent to the Secretary at least one week in advance. Board agendas should cover the following topics: 1) Desired Results 2) Governance Issues 3) Property Management Reports and Monitoring; 4) Financial Status Reports; 5) New Business Items.

Policy: Board Agendas will be determined as follows:

1. All agenda items for Board Meetings and Community Meetings will be sent to the Secretary at least one week before any scheduled meeting. The Board Secretary is empowered to flesh out the details.
2. Agenda items will include the following items: 1) Desired Results 2) Governance Issues 3) Property Management Reports and Monitoring; 4) Financial Status Reports; 5) New Business Items.
3. Non Board members may participate in meetings of the Board provided a request is made through the property management company and scheduled in advance with the Board. Time should be limited to no more than 10 minutes of the Board time. Additionally, the Board may open up any meeting to residents in general, per the Board's discretion, as long as it is scheduled in advance with the Board.

4. Items requested for Board discussion less than one week before a meeting should be put on the next meeting's agenda and no vote should be expected until the Board has time to distribute the information and do proper due diligence.

Creation and Distribution of the Minutes: One of the responsibilities of the Board is to keep accurate records which include meeting minutes. Minutes should follow the policies listed below:

1. Minutes should be reasonably detailed so that one reading them at a later date or not in attendance at the meeting would understand the items being discussed.
2. Motions made in meetings should be recorded as well as the numeric count of who voted for or against. Names are not normally required except when the votes are close, names of Board members may be recorded as voting for or against a motion.
3. A brief summary of the discussion and the reasons for the decision should be recorded in the minutes.
4. Names in the minutes that reveal personal information such as past due fees or other financial information will be redacted before distribution in order to protect the privacy of the individual community residents.
5. The Board should approve minutes before releasing to the community or other third party interests to insure accuracy. The Board should meet on a consistent basis or have an electronic approval process (e-mail) to insure minutes can be distributed and approved in a timely manner (30 days or less).
6. Minutes will be posted on the blog after being approved and can also be distributed to residents upon written request to the property management company.
7. The HOA should have an official written record of all minutes, rules and regulations, CC&Rs and By-laws that can be passed on to future Boards. The property management company should have an electronic backup copy of the same that could be printed, if needed.

Fiduciary Responsibility:

Background: Boards have the responsibility of guarding the financial condition of the HOA to insure that expenditures produce the desired outcomes determined by the Board. One of the roles of the Board is to be sure that the long range plan of the community is planned into each year's annual budget. The Board considers policies that set forth what the Board would consider to be *approvable* expenses in 1) budgeting and re-budgeting; and 2) the actual financial situations as the year progresses. The Board then sets a plan for appropriate control over the budget (as opposed to minimum or maximum budget control).

Fiduciary responsibility includes the following policies:

1. **Consistency of the Budget with the Board's Long Term Plan:**
 - a. **Background:** The State of Utah now requires each HOA to outline a long term plan for maintaining the common area property of the HOA. (Title 57, Chapter 8, Section 7.5, or its successor). The HOA can forecast these expenses as a Board; or may hire a professional company to make those forecasts. From the forecasts,

each year the Board must budget funds to cover the expected future costs to maintain the property.

- b. **Policy:** The Board will authorize a professional company to forecast for future expenses and maintenance in accordance with Utah Law (57-8-7.5, or its successor); furthermore, the Board will budget each year not only for current expenses but also for future expenses in accordance with the Utah law (57-8-7.5, or its successor).
2. **Policy Governing Revenues vs. Expenses:**
 - a. **Background:** One of the prime fiduciary responsibilities of the Board is to create a budget that appropriately outlines income and expenses for the community. This annual budget process will begin in August and should be approved in the annual community meeting held in October.
 - b. **Policy:** The Board will begin the budget process no later than August of each year in order to prepare a budget for the following year. Estimates for future expenses will be determined by the current years expenses, adjustments for inflation, history and age of the line item or by new contractor bids obtained for the coming year. The Board will approve the budget in the annual community meeting. In no case, shall the Board spend more money than it receives in any one year. In the case of unexpected expenses, the Board will determine if a special assessment is needed or if money placed in the reserve account will be added to the budget so that expenses do not exceed income. The Reserve Account will only be accessed in accordance with State Law.
 3. **Policy of Conservatism in Projections:** When creating an annual budget, the Board shall use best estimates based on the past three year history and current knowledge of community needs. Generally, estimates should be conservative, with income being underestimated and expenses being overestimated so that net income numbers do not exceed expenses. Normally expenses would be estimated to be 5% higher and revenues 5% lower unless the Board is aware of anticipated future expenses. This applies to the reserve accounts required by the State.
 4. **Policy Governing Cash Flow:** The Board shall manage cash flow to include the ebb and flow of income depending on the various seasons of the year. Money should be set aside during those times of the year when snow removal and lawn maintenance expenses are less in order to cover times when expenses are at their peak. Short or Long Term Reserves may be left in a checking account, placed in a savings account if short term withdrawals are anticipated, or in the reserve account for longer term earnings. The Board will insure that the checking account will always have sufficient amounts to cover existing expenses to pay vendors on time.
 5. **Policy Governing the Proper Use of Reserves:** At times when the HOA is fortunate to have monies to put into reserve accounts, that money will stay in such accounts for safeguarding until at least one of two conditions result: 1) money is required to pay expenses currently due which have been approved by the normal Board invoice approval process; or money is transferred with a majority vote of the Board. An Emergency Debit Card for the Reserve Account may be held by the President and/or Treasurer in order to cover emergency expenses within the community. Any use of the Emergency Debit Card must be pre-approved from all Board members. Monies

- may not be transferred under any circumstances from the Reserve Account without meeting all State required conditions.
6. **Policy Governing Debt:** The Board of Directors shall put all debt as off limits except for normal accounts payable amounts. Under extreme, unexpected, and unusual circumstances, the Board may authorize debt up to \$20,000 with a two-thirds majority vote of the Board. Debt above that limit would have to be approved by two-thirds of the community as a whole. In lieu of debt, the Board may choose to impose a one-time special assessment to meet HOA obligations.
 7. **Policy Governing Liquidity:** In order to have sufficient funds to pay all normal and anticipated expenses, liquidity of the HOA checking account will not drop below a 1.25:1 ratio between relatively liquid assets and relatively short term liabilities. When ratios dip below this amount, the Treasurer shall request that monies be transferred from savings to the checking account.
 8. **Policy to Determine Any Special Financial Obligations:** In cases of natural disasters and other unforeseen circumstance, expenses may exceed income, insurance claims, and savings combined. In other cases there may be unexpected expenses that will require a special assessment. In such cases, the Board will follow the steps outlined in the CC&R's regarding special financial obligations.
 9. **Policy Regarding the Monitoring of Fiscal Management:** One of the best ways to monitor fiscal management is to compare budgets with actual performance (comparison model). The Board will monitor the following budget performance on a monthly basis: Budget vs. Actual; Past Due Report; Collection Process, and Accounts Receivable. On an annual basis the Board will have the taxes prepared by an accounting firm to verify the accuracy of the accounting process.
 10. **Policy Expense Payments to Board Members:** There are times when Board members will need to buy supplies for the Association. In such cases, an expense reimbursement request with the attached invoice will be submitted to the property management company for payment. Payment of such a request will need to be approved by a Board member other than the person receiving the reimbursement. All reimbursable expenses must be pre-approved prior to purchase by all Board members, including the use of the Emergency Debit Card. Whenever practical, Board members should avoid doing work for the HOA for payment. In such cases, even though the intent is to save money over what a contractor would charge, expense reimbursement to a Board member for services performed can easily be misunderstood by members of the community not fully aware of the reasons for the expense.
 11. **Policy on a Request for Records:** Residents requesting a summary of past due amounts by resident, budgets, YTD Cost vs. Budget reports may be sent information upon written request without charge. Those making special requests for additional information above and beyond normally distributed reports may have such information provided they pay the additional cost to create such information so that the entire community is not impacted financially.